Harrow COUNCIL LONDON

Appendix

Council (Council Tax)

Thursday 25 February 2021

Confirmation of Cabinet and Committee Recommendations and relevant Originating Background Papers

Item on Summons	Cabinet / Committee Recommendation	Originating Report
	Recommendation II: Cabinet (11 February 2021)	
8.	Final Revenue Budget 2021/22 and Medium Term Financial Strategy 2021/22 - 2023/24	Report of Director of Finance (Pages 3 - 156)
	Recommendation IV Cabinet (11 February 2021)	
9.	Treasury Management Strategy Statement including Annual Investment Strategy for 2021/22 and Capital Strategy for 2021/22	Report of Director of Finance (Pages 157 - 224)

	Recommendation I: Cabinet (11 February 2021)	
10.	Capital Programme 2021/22 to 2023/24	Report of Director of Finance (Pages 225 - 244)
	Recommendation III: Cabinet (11 February 2021)	
11.	Housing Revenue Account (HRA) Budget 2021/22 and Medium Term Financial Strategy (MTFS) 2022/23 to 2023/24	Report of Divisional Director of Housing, Director of Finance and Corporate Director, Community (Pages 245 - 274)
	Recommendation I: Governance, Audit, Risk Management and Standards Committee (1 December 2020)	
12.	Governance, Audit, Risk Management and Standards Committee Annual Report 2019/20	Report of Director of Finance (Pages 275 - 286)
	Recommendation I: Pension Board (2 December 2020)	
14.	Pension Board Annual Report	Report of Director of Finance (Pages 287 - 294)

Report for:	**Cabinet**
Date of Meeting:	11 February 2021
Subject:	Final Revenue Budget 2021/22 and final Medium-Term Financial Strategy 2021/22 to 2023/24
Key Decision:	Yes
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor Adam Swersky – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	No – decisions reserved to Council
Wards affected:	All
Enclosures:	**Appendix 1A** – Growth/Reversed savings and savings from 2021/22 Process **Appendix 1B** – Savings and Growth 2021/22 to 2022/23 from the 2020/21 Budget Process **Appendix 2** - Medium Term Financial Strategy 2021/22 to 2023/24 **Appendix 3** – Revenue Budget Summary 2021/22 **Appendix 4** – Levies, contributions and subscriptions **Appendix 5** – Policy on use of contingency **Appendix 6** - Schools Budget 2021/22 **Appendix 7** - Public Health Budget 2021/22 **Appendix 8**- Reserves Policy **Appendix 9** – Reserves Forecast **Appendix 10**- Report of the Chief Finance Officer **Appendix 11**- Model Council Tax Resolution

Appendix 12- Members Allowance Scheme 2021/22
Appendix 13 – Annual Pay Policy Statement for 2021/22
Appendix 14- Flexible Use of Capital Receipts
Appendix 15- Summary of EQIA for Saving Proposals 2021/22

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2021/22 and final Medium-Term Financial Strategy (MTFS) for 2021/22 to 2023/24. In December 2020, Cabinet approved the draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

1) Recommend the 2021/22 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2021/22 to be set (Appendix 2).

2) Recommend the Model Council Tax Resolution 2021/22 to Council for approval as set out in Appendix 11.

3) Recommend to Council that, in accordance with Section 38 (2) of the Local Government Finance Act 1992, the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 2 above with a period of 21 days following the Council's decision.

4) Approve the Medium-Term Financial Strategy (MTFS) for referral to Council (Appendix 2).

5) Note the balanced budget position for 2021/22, and the budget gaps of £24.651m and £5.098m for 2022/23 and 2023/24 respectively (Table 5).

6) Note the intention to increase Council Tax by 1.99% in 2021/22 (Paragraph 1.20).

7) Note the proposal to increase Council Tax by a further 3% in 2021/22 in respect of the Adult Social Care Precept (Paragraph 1.20).

8) Note the 2021/22 budgets for Schools and Public Health as set out in Appendices 6 & 7.

9) Note the assumed funding for the protection of social care 2021/22 through the BCF as set out in paragraphs 1.74 to 1.78.

10) Note the requirement to develop a fully costed budget and implementation plan, to the value of a minimum £10m, to bring to Cabinet on preparation to feed into the budget setting round for 2022/23 (Paragraph 1.83).

11) Recommend the 2021/22 Members Allowance Scheme to Council for approval (Appendix 12).

12) Recommend the 2021/22 Annual Pay Policy Statement to Council for approval (Appendix 13).

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

Reason: (For recommendations)

To ensure that the Council sets a balanced budget for 2021/22.

Section 2 – Report

BACKGROUND

1.1 Prior to the Covid-19 pandemic, Local Government finances continued to have a very difficult decade. Revenue expenditure has reduced by 20 to 30% on average against a backdrop of a rising UK population and a continued increase in demand for social care across all age groups and for pupils with special educational needs. In their publication 'Local Government Funding – Moving the conversation' (June 2018) the Local Government Association shared a number of their key statistics including:

- Analysis indicated that local services face a funding gap of £7.8billion by 2025 of which £6.6 billion would relate to Adults social care and Children's services.

- By 2020, local authorities will have faced a reduction to core funding from central Government of nearly £16 billion over the preceding decade.

1.2 With the Local Government sector being at the forefront of the response to both the public health and economic crises caused by Covid 19, it is hardly surprising that the pandemic has had a significant impact on local government finances which were already in a difficult position following a decade where resources have been reduced by over a quarter. Early in the pandemic London Councils published their report 'Impact of Covid-19 on Local Government Finance.' The report published the findings of the surveys issued by the Ministry of Housing, Communities and Local Government (MHCLG) to track the financial impact of the pandemic over the first three months of the year. The estimated financial impact across London Borough's was £1.96b against Emergency Funding allocated at the time of £500m. Whilst is it appreciated that further financial support has been provided which is gratefully received, so too have increased, and continue to emerge, the associated costs of the pandemic on the sector and the wider local government economy including the impact on local business, jobs and employment, housing and the high street.

1.3 Harrow remains one of the lowest funded Councils both within London and nationally. Table 1 below summarises the key financial changes over the 9-year period up to 2021/22:

Table 1: Summary of Key Financial Changes 2013/14 to 2021/22

	Revenue Support Grant	Demand Led Growth	Technical Growth	Savings	Additional Revenue from Council Tax	Business Rate	Council Tax as a % of Budget Requirement
	£000	£000	£000	£000	£000	£000	%
2013/14	52.1	10	10	-22	-1.8	14.7	51
2014/15	42.6	5.5	-2.1	-10	-1.9	14.5	55
2015/16	32	7.7	5.9	-20.6	-3.4	14	59
2016/17	21.9	4.7	9.5	-16.6	-6.8	13.2	64
2017/18	13	10.7	-0.6	-10.2	-7.3	14.4	68
2018/19	7.3	9.8	1.7	-7.4	-5.3	14.4	70
2019/20	1.6	7.4	-4	-5.2	-8.5	14.4	76
2020/21	1.6	5.1	5.7	-3.8	-7.2	14.9	76
2021/22	1.6	16.5	-6.7	-3.6	-6.4	14.9	78
Total	**50.5**	**77.4**	**19.4**	**-99.4**	**-48.6**	**-0.2**	

1.4 Over the 9-year period, table shows:

- The Council's Revenue Support Grant (RSG), its main source of funding from central government, has reduced by 97% to just £1.6m, a reduction of £50.5m. To set this in context, the Council's net revenue budget requirement to support service delivery is £179m.

- Over and above the RSG, the Council receives no additional funding to meet demographic and inflationary pressures. Therefore, growth of £77.4m has had to be provided to fund the continued pressures on front line services, including adults and children's social care, homelessness and waste services. Technical growth of £19.4m has had to be provided to fund inflationary pressures (pay and non-pay) and the cost of capital investment for which the council receives no additional funding.

- These three factors have taken the total budget shortfall to find over the nine years to £147.3m to achieve a balanced budget.

- Savings and efficiencies of £99.4m have been achieved but the profiling of these savings, and how the quantum has reduced in recent years, demonstrates the challenges of finding sustainable savings year on year. For the first time in 2020/21 the Council had to rely upon the use of reserves to balance its budget. Thankfully, through tight financial management, these reserves are now unlikely to be drawn down and can be retained to support the even larger pressures the Council faces in future years.

- Council Tax has been increased largely in line with referendum limits and full use has been made of the Adults Social Care precept. Again for 2021/22, the Council has little choice but to propose the maximum allowable increase in Council Tax of 4.99% which increases the transfer of responsibility onto the council taxpayer to 78%.

1.5 Despite all reasonable actions, including council tax increases, significant savings, and efficiencies and generating income, it still remains a considerable challenge for the Council to balance its annual budget in light of continued demand pressures and funding certainties compounded by a historically low funding base. In February 2020 full Council approved the Medium-Term Financial Strategy (MTFS) 2020/21 to 2022/23. Despite achieving a balanced budget for 2020/21, there remained a budget gap of £22.592m over the final two years of the MTFS.

1.6 A budget gap of £22.592m is enough of a significant financial challenge from which to refresh the MTFS. Factor into this a disproportionate impact of Covid- 19 on the Borough and it leaves the Council in a grave financial position facing very difficult budget decisions. Between the period March 2020 and February 2021, a total of 18,594 lab-confirmed cases were recorded for the London Borough of Harrow. Harrow had an overall case rate of 7,365 per 100,000 population, higher than the London rate of 7,317 cases per 100,000. Since the beginning of the pandemic in 2020, there have been 522 deaths registered to Harrow residents, which mentioned Covid-19 on the death certificate. The cumulative rate of death in Harrow was 207.8 per 100,000, which is significantly higher than London (162 per 100,000) and England (171 per 100,000).

1.7 Covid-19 has been shown to disproportionately affect older people and people from BME communities. Both these groups are more likely to become ill from Covid-19, require admission to hospital and subsequent support, and both these groups are more highly represented in Harrow than many other London Boroughs. The high number of 57 residential and care homes in Harrow, and outbreaks within them have certainly contributed to the high number of cases of Covid-19 in Harrow.

1.8 The disproportionate impact felt by Harrow has not been matched by a proportionate share of funding. Analysis shows that, over the four tranches of Emergency Funding received, Harrow ranked in 108th position nationally (out of 339) and across London in 26th position (out of 33, which is 8th lowest).

SUMMARY

1.9 The final budget set out in this report shows an updated MTFS with several changes which Cabinet are asked to note. The changes achieve a balanced budget position for 2021/22 and budgets gaps of £24.651m and £5.098m for 2022/23 and 2023/24 respectively. The final MTFS is based on the Indicative Local Government Settlement received on 17 December 2020. MP’s will vote on the final Local Government finance settlement for 2021/22 on 10 February and the final settlement is likely to be published in the days beforehand. Section 30 of the Local Government Finance Act 1992 requires local authorities to set their council tax no later than 11 March 2021 therefore the final budget and MTFS will proceed to Cabinet and Council in February 2021. Whilst it is intended that Members will approve the MTFS in February 2021, it could still be subject to assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council does hold a contingency for unforeseen items (£1.248m), including adverse equality impacts, which is intended to support uncertainties and the Council will still be required to review the Council's budget on a yearly basis.

EXTERNAL FUNDING POSITION

1.10 Harrow Council remains one of the lowest funded councils both in London and nationally. Harrow's core spending power per head in 2019/20 was estimated to be £170 lower than the London average and £75 lower than the rest of England average. The announcements within the SR 20 have done little to address the relative position of Harrow's funding baseline.

1.11 The SR 20 confirmed broad public spending allocations for 2021/22. Until the summer the indication from government was still an intention to set a three-year revenue settlement after representations from the sector of the challenges managing temporary funding over the medium and longer term, for budget planning and sustainability purposes. After the cancellation of the Autumn Budget, confirmation was finally received that SR 20 would be a one-year settlement only. The key areas of the review are detailed below and included in the MTFS:

- The main Council Tax referendum limit is set 2% and the Adult Social Care Precept at 3%.

- £300m of extra grant funding for Social care. Harrow's share is confirmed at £326k and is assumed to be recurrent for budgeting purposes.

- £670m of additional grant funding to help local authorities support more than 4m households least able to afford Council Tax payments. Harrow's indicative allocation is £2.325m and the funding is assumed to be non-recurrent for budgeting purposes.

- A mandatory requirement to spread the impact of Collection Fund loses for 2020/21 over the following three years. Harrow's collection rates have remained at good levels and this mandatory requirement has a minimal impact on the MTFS.

- An extra £1.55n of grant funding to meet additional Covid-19 expenditure pressures. Harrow's allocation is £6.051m which is reflected in the draft budget on a one-off basis.

- The Income Compensation Scheme for Sales, Fees and Charges will be extended for three months until June 2021. The estimated compensation for Harrow is £500k which is reflected in the final budget on a one-off basis.

- The New Homes Bonus grant will continue for a further year into 2021/22 with reform of the scheme planned for implementation in the following year.

- Grant funding for Public Health, the Troubled Families Programme and the Improved Better Care Fund will continue on a cash flat basis.

- The Business Rates multiplier will be frozen in 2021/22 which will reduce business rate bills.

- There is a delay to the planned move to 75% Business Rates Retention and the implementation of the Fair Funding Review and Government will not proceed with the reset of the business rate baselines in 2021/22. These are all likely to be considered for SR21.

DELIVERY OF THE 2020/21 BUDGET

1.12 In these unprecedented times, delivery of the 2020/21 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services and to manage the future impact on the MTFS. Due to the Covid-19 pandemic, the monitoring of financial performance is being separated between business as usual and Covid-19. This is to ensure the impact of the pandemic is fully understood on the current and future years and business as usual budget is robustly managed to ensure no unfunded pressures.

1.13 Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years. The performance against the 2020/21 budget is detailed in a separate report on this agenda, 'P3 2020/21 Revenue & Capital Monitoring 2020/21 – as at Qtr 3 (31/12/20).' This report forecasts a net underspend of £1.864m made up of a forecast underspend against the business as usual budget of £1.985m off set against unfunded Covid-19 pressures of £121k. It should be noted that the Qtr 3 report was prepared before it was announced that the country would enter a third lockdown late December. The impact of this and current tier restrictions are being assessed, alongside additional central government funding announcements, and will be reflected in the final outturn report scheduled for Cabinet in June.

1.14 It is well reported that the Council does not have large reserve balances when benchmarked with other local authorities and during this decade of austerity has steered away from applying one off reserve to balance the budget. However, due to the continued challenging fiscal environment and additional unfunded adult social care pressures, the 2020/21 budget included £3.805m to be drawn down from the Budget Planning and Business Risk reserves on a one-off basis. The Quarter 3 forecast, through robust management and grip on the in-year budget, estimates no drawdown of the £3.805m from reserves. This means these reserves can remain on the balance sheet to support the considerable strain on the MTFS in future years.

BUDGET PROCESS 2021/22

1.15 The Council has a statutory obligation to agree and publish the budget for 2021/22, and approval for this is being sought in February 2021. In preparing the 2021/22 budget and rolling forward the MTFS to cover the three-year period 2021/22 to 2023/24, the current MTFS (approved by Council in 2020) has been the starting point for the process.

1.16 The MTFS approved in February 2020 assumed a budget gap of £11.414m for 2021/22 and £11.178m for 2022/23. This was the starting point for the refreshed 3-year MTFS. It's important to note that this starting point assumed achieving existing directorate savings of £2.947m in 2021/22.

1.17 The Council's financial position has always been dynamic affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. The impact of Covid-19 upon both the Council's financial position and its internal capacity has made the sustainability of Council finances a key strategic issue. In preparing the draft budget for 2021/22 the existing MTFS has been:

- Refreshed and rolled on a year
- Updated to reflect the estimated impact of Covid -19 (both expenditure and income) beyond the current year
- Updated to reflect the estimated impact of SR 20 where the financial implications can be assessed for the Council with a reasonable degree of certainty, accepting that there is an element of risk until the final Financial Settlement is announced early February.

1.18 The draft budget was presented to Cabinet in December and the adjustments required to set the draft budget are summarised in Table 2 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 2020/21 Budget process:

Table 2: Changes to MTFS (Prior to Indicative Finance Settlement)				
	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000
Published Budget Gap - February 2020	**11,414**	**11,178**	**0**	**22,592**
Adjustments:				
Council Tax				
Increase in Council Tax @ 4.99% (1.99% core and 3% Adult Social Care precept	-6,213			
Increase in Council Tax @ 1.99% core		-2,780		
Removal of increase in tax base previously estimated at 88,160	750			
Summary of Budget changes - Appendix 1A				
Resources - reversal of growth	-176	-177		
Community savings	-250			
Reversal of Commercial Investment income	1,175	1,175		
Resources growth	134			
Adults Growth - £652k was allocated in 2019/20 in respect of 2021/22 but this is being reversed and replaced with £3.895m, therefore an addition of £3.243m in terms of impact this year. In addition to the £3.895m a figure of £2.344m was allocated last year, bringing the total growth included in the budget to £6.239m.	3,243	1,047		
Adults growth to be retained centrally - this deduction will mean that £4.772m is allocated to adults which is the value of the 3% precept and expected grant allocation of £1.044m	-1,467			
Adults growth - transfer of Capital Adaptations and careline equipment budgets to Revenue	465			
Children's Placements and SEN transport growth	2,004	1,205		
Community - growth required across the Directorate	2,920	300	300	
Community - covid Loss of income @ 25% of 20/21 income budget & phased back	5,000	-2,218	-1,799	
Corporate - reversal of SEN transformation savings	800			
Technical Changes				
New Homes Bonus - continuation of scheme previously assumed to reduce	-782	-728		
Freedom Passes - estimated reduction in usage	-1,108	-1,580	1,377	
Application of Capital Flexibilities in 2021/22	-2,000	2,000		
Pay and Non Pay Inflation			4,750	
Additional Capital Financing required for new 3 Year Capital Programme			470	
Realignment of 2021/22 MRP budget to account for slippage	-2,981	2,981		
Spending Review - Estimated additional COVID Funding:				
Additional Grant For Social Care (assumed to be permanent)- allocation to be confirmed in December settlement	-1,044			
£1.55b grant to meet additional COVID expenditure (one off)	-4,600	4,600		
Income compensation for sales, fees and charges - 3 month extension	-500	500		
Adults growth to be retained Corporately.	1,467			
Revised Budget Gap	**8,251**	**17,503**	**5,098**	
Application of non GF reserves:				
Adults Social Care Reserve	-920	920		
Budget planning reserve not applied in 20/21	-2,628	2,628		
Business Risk Reserve - not applied in 20/21 & balance	-1,771	1,771		
Children's social care reserve - no applied in 20/21	-932	932		
£2m 20/21 target underspend - to be added to reserves in 2021/22	-2,000	2,000		
Budget Gap December 2020	**0**	**25,754**	**5,098**	

Council Tax Adjustments

1.19 In 2021/22 the Council tax base will reduce to 87,387 from its 2020/21 base of 87,667. This is a reduction of 280 Band D equivalent properties which equates to a total loss of Council Tax income of £426k. Whilst the base is estimated to increase by 1,141 new properties this is offset by a loss of 1,421 properties due to growth in Council Tax Support as a result of the weakening economy largely due to the pandemic. Had it not been for the impact of the pandemic the increase in the tax base would have generated in the region of £1.78m additional council tax income. The current MTFS already assumed an increase in the Council Tax base of 313 band D equivalent properties generating £750k. This has been removed from the draft budget as this increase is not achievable considering the pandemic. The collection rate will remain at 98% for 2021/22. Collection rates have performed better than expected throughout the pandemic and Harrow has provision for outstanding arrears up to the 31/03/20 of almost 100%.

1,20 A maximum Council Tax increase of 4.99% is budgeted for 2021/22 generating Council tax income of £6.213m. There has been an indication that the precept can be applied over 2 years. However, as the 2021/22 settlement is for one year only and there is no information on precepts for 2022/23 alongside significant pressures on the MTFS driven by adult social care growth, the full 3% precept is included in the 2021/22 draft budget. An increase in core Council Tax of 1.99% is included in the draft MTFS for 2022/23.

Technical Adjustments

1.21 **New Homes Bonus Grant (NHB)**. In 2020/21 the NHB is £3.716m. As part of the 2020/21 budget setting process, reductions in the NHB were built into the budget on the assumption that the grant would be reduced, and no new payments would be made for 2021/22. SR 20 announced that NHB funding would continue for a further year but without legacy payments. At this stage is it still unclear what this means and what the grant allocation will be for 2021/22, but the previous reductions of £782k in 2021/22 and £728k in 2022/23 have been reversed for the draft MTFS.

1.22 **Freedom Passes.** The Freedom Pass Scheme (FPS) provides free travel for older and disabled London residents on all Transport for London (TFL) travel modes and on most National Rails routes (with restrictions). The methodology used for settlement of the FPS with TFL uses journey data for the previous 2 years. Covid-19 has significantly reduced the use of public transport, including among concessionary fare passengers and London Councils have provided 3-year cost estimates for each London Borough. Harrow’s concessionary fares budget is £9.883m. Savings of £1.108m and £1.580m are estimated for 2021/22 and 2022/23 with journey numbers estimated to pick up in 2023/24 requiring the baseline budget to be increased by £1.377m. These adjustments are reflected in the MTFS.

1.23 **Allocation of Capital Flexibilities.** The current capital flexibility arrangements are in place until 2021/22 and any announcements around their extension are anticipated in the Indicative Financial Settlement. £2m of capital flexibilities will be applied in 2021/22 to fund the qualifying revenue costs of reform projects which must be reversed out of the budget in the following year.

1.24 **Pay and Non-Pay Inflation**. The current MTFS assumes £3.1m in 2021/22 to fund pay and non-pay inflation and £4.750m in 2022/23 to fund all inflationary costs and budget pressures. A provision of £4.750m is now included in the MTFS for 2023/24. The SR 20 announced a public sector pay freeze. As local government pay is subject to separate negotiations, any savings as a result of an agreement to freeze pay for local government has not been assumed in the MTFS. If a pay freeze is subsequently negotiation, the budget saving will be transferred to reserves to support the MTFS.

1.25 **Additional Capital Financing required for the new 3 Year Capital Programme.** The draft 3 Year Capital Programme is subject to a separate report in the agenda. The draft document requires additional capital financing costs of £470k in 2023/24. The government has published its response to the Treasury's consultation on Public Works Loans Board (PWLB) lending terms and will end use of the PWLB for investment property bought primarily for yield. As previously explained the Council has already decided not to pursue its programme of commercial investment and the financial implications have been removed from both the budget and capital programme. The government also announced it will cut PWLB lending rates to gilts + 100 bps for Standard Rate and gilts + 80 bps for Certainty Rate. The impact of this reduction is being worked through in terms of the impact on the capital financing budget and any reductions will be built into the final budget.

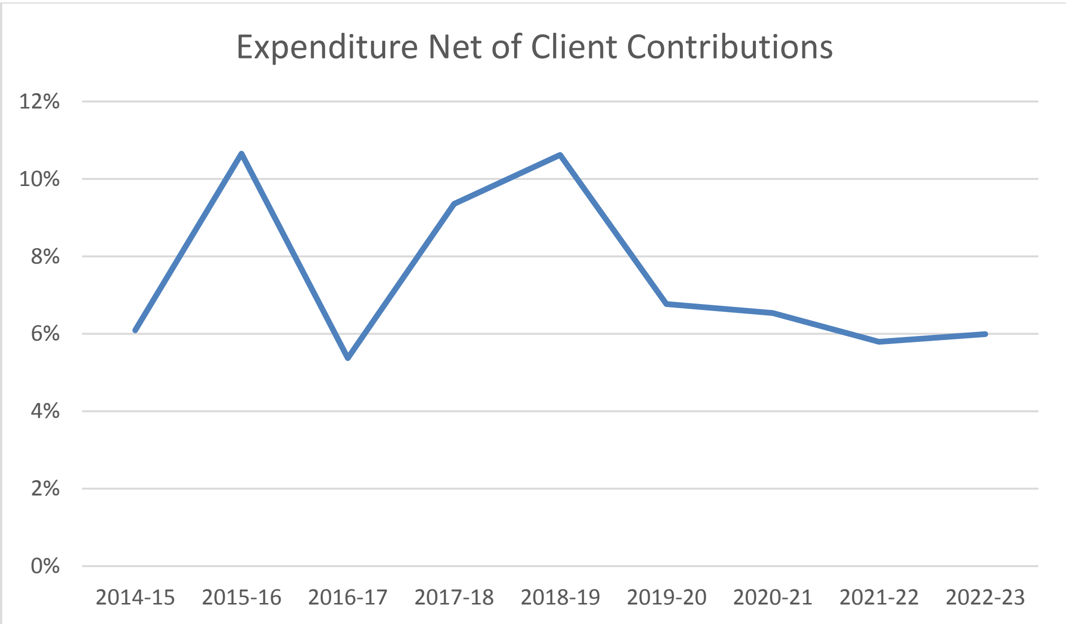
1.26 **Realignment of the 20/21 Minimum Revenue Provision (MRP) Budget to account for slippage**. Due to the slippage of the in-year Capital Programme, the timing of required MRP's has been reviewed resulting in a realignment of provisions required. This generates a one-off budget benefit of £2.981m in 2021/22.

1.27 **Reversal of Commercial Investment Income**. £100m was approved by Cabinet in July 2019 as an addition to the Capital Programme for Commercial Investments. The basis of the inclusion was that this £100m would generate a minimum net return of £2.5m after repaying the capital financing costs. One property has been bought from the £100m which is generating a net return of £150k which was built into the 2020/21 budget. The net return from the balance of £94m was reflected in the MTFS equally over 2021/22 and 2022/23. The decision has been made to not continue with the strategy of commercial investment due to the challenges of securing properties which meet the investment criteria and the decision of the government to stop the use of Public Loans Works Board for investment in property bought primarily for yield. The remaining net return within the MTFS of £2.350m has now been removed.

1.28 **Adult Social Care Growth**
At the point of setting the 2020/21 budget in February 2020, the final budget report identified adults social care growth pressures of £6.439m and £7.063m for 2021/22 and 2022/23 respectively. The report also explained that because future funding to support the growth pressures was very uncertain and could not be built into the MTFS with any degree of certainty, it was reasonable that the estimated pressures were identified but also not included in the MTFS. The work within the Adults Service to further understand growth projections has continued throughout the year and now must be reflected in the MTFS alongside SR 20 funding announcements on social care grant and precept.

1.29 The Institute for Fiscal Studies has found that Councils need an estimated additional £1.6bn by 2024/25 to fully meet the cost of adult social care. Even before Covid-19, London's adult social care sector faced a funding shortfall of £130 million this year. While SR 20 has provided a short-term boost (an additional £300m nationally which translates to an additional estimated £1.044m for Harrow in 2021/22), boroughs will continue to call for a long-term, sustainable solution to the challenge of funding adult social care services.

1.30 As part of the modelling work to understand the future demands on Adults Social care, evidence-based analysis does show that costs pressures are volatile, as detailed below. The forecast for 2021/22 and 2022/23 assumes the growth detailed in the table below:



1.31 Against a backdrop of a rising UK population, increasing social care demands for older people and young adults with learning difficulties and the NHS under pressure, the modelling continues to estimate future cost pressures. The draft MTFS includes estimated adult social care growth pressures as detailed in table 3 below:

Table 3:Estimated Adult Social Care Growth 2021 to 2024

Growth	2021/22	2022/23	2023/24

	£'000	£'000	£'000
Complexity	1,305	1,644	0
Demand	2,491	912	0
Commissioning activity	(300)	0	0
Care provider inflation	1,046	1,135	0
Mitigations not achieved	1,034	0	0
ASC reserve (one-off)	663	0	0
MTFS Impact	**6,239**	**3,691**	**0**

The following narrative supports the numbers in the table above:

1.32 **Complexity** includes the increased cost of existing packages or care as clients remain within the system. A 5% year on year increase in the current average weekly cost of £334 per week has been assumed.

1.33 **Demand** assumes accepting liability for 30 Covid-19 nursing placements from health following care act assessment from April 2021, together with net new demand during each financial year (approx. 4,420 weeks of care 21/22 and 3,490 22/23 assuming an average community package of £261 per week).

1.34 **Commissioning activity** is to support the review of elements of care aiming to increase quality and keep pace with the external market.

1.35 **Care provider inflation** is assumed at 1.5% of the Adults budget. The National Living Wage will increase in April 2021 by 2.2% from £8.72 to £8.91. As a result, containing increases in the cost of care will need to be targeted to ensure that increases are agreed within the available financial envelope.

1.36 **Mitigations did not achieve** the 2020/21 Adults budget assumed mitigations of £1.584m to achieve a balanced position within the approved growth allocation. At the time of setting the budget £0.9m of mitigations had been identified. The impact of Covid-19 has reduced the achievement of the savings identified (a lower level of learning disability commissioning savings and the delayed implementation of the changes in the Adults charging policy) to £550k and it has not been possible at this stage to identify further reductions to mitigate the original unidentified savings.

1.37 The estimated growth projections, and the assumptions upon which they were based, are dynamic and continue to be worked upon and refined, especially in light of the service approaching one of its most challenging times of the year, winter pressures coupled with the second wave of Covid-19.

1.38 The underlying budget, assumes the following for 2021/22:

- 29,172 weeks of bedded care (residential and nursing), the equivalent of 561 citizens for a full year, with an average gross cost of £980 per week.

- 7,072 weeks of care in supported accommodation, the equivalent of 136 citizens for a full year, with an average gross cost of £1,097 per week.

- 100,152 weeks of care for community services (domiciliary care, cash personal budgets and external day care), the equivalent of 1,926 citizens for a full year, with an average gross cost of £261 per week.

1.39 Without a national solution for the longer term sustainable financing of Adult Social Care, and given the challenging financial picture of the wider Council position, the directorate will need to continue to work to reduce the costs of service provision to mitigate future growth requirements, including in 2023/24 where there is no specific growth included in the MTFS. The key areas for review are detailed below:

- Continue the work with learning disabilities working with individuals to promote independence and reduce the costs of packages (Home is Harrow).

- Continue to roll out the strengths-based working across adults (3 conversations) (this is challenging in a Covid environment given the inability of social workers to make home / face to face contact visits).

- Market shaping to ensure the most efficient use of available resources, and potentially targeting a cohort of high cost packages.

- Subject to the evaluation of the Assisted Technology (AT) pilot, implementation of the AT equipment to reduce care packages.

- Focus on the hospital discharge to avoid an over reliance on admission to care homes.

1.40 **Adults growth - transfer of capital Adaptations and careline equipment budgets to Revenue**. There has been a capital budget of £230k allocated annually for equipment needed to adapt homes for adults requiring help to remain at home and a separate allocation of £235k to fund careline equipment. This was previously funded as part of the allocation of grant funding for Disabled Facility Grants (DFG). As the requirement for DFG funded adaptations has increased, it has been decided to allocate the full grant to those more substantial adaptations made in homes and move the smaller equipment budgets to revenue. There is a one-off impact of growth this year or £465k in moving these budgets to revenue, but there will be a longer-term benefit of no requirement to borrow in order to fund these smaller equipment-based adaptations.

1.41 **Children's Placements & Accommodation**
There are significant pressures on Children's Placements & Accommodation in 2020/21 which are estimated to continue into future financial years. There has been a net increase in the number of Looked After Children rising from 169 in March 2020 to 206 in October 2020. There are a number of factors contributing to this including, but not limited to, Covid-19 which has led to delays in court proceedings, reductions in face to face family work to prevent or delay young people coming into care where it

is safe to do so and increased statutory intervention due to family mental health leading to more children coming into care. In addition, children are presenting with more complex and challenging needs leading to higher cost residential placements. There is also a net increase in the number of children subject to Child Protection plans rising from 279 in March 2020 to 340 in October 2020. This has meant that the savings of £820k over the period 2020/2022 have not been achieved and further growth is required to fund the underlying demand over the next two years as one off funding currently being used to mitigate some of these pressures in 2020/21 is exhausted. Growth of £1.227m and £1,205m is provided in the draft budget for 2021/22 and 2022/23 respectively.

1.42 **SEN Transport**

There is estimated to be significant pressures on SEN Transport in 2020/21 brought about by a net increase in the number of children requiring home to school transport and complexity of children's needs. In addition to this the re-procurement of the inhouse vehicle contract has led to increased prices and a different mix of vehicle types as well as the current managed service contract which provides drivers and escorts is also being re-procured and is anticipated to lead to higher costs. A system-wide review of special needs transport began in 2019 which started with a review of back office functions and the flow of information between families and council departments. The second phase would review the mix of provision between inhouse vehicles and commissioned taxis to demonstrate cost effectiveness. It was anticipated that these reviews would lead to savings. However due to Covid the second part of this review had to be postponed and is unlikely to begin again until 2021. Therefore, achievement of any possible savings will be delayed and until actions and savings can be quantified with sufficient robustness, growth of £777k is included in the draft budget for 2021/22 as a result of the inherent pressure carried forward from 2020/21. This growth will remain under review as the second phase of the review progresses, with a view to removing the growth as efficiencies are identified. In the meantime, it is anticipated that approximately 30 additional children per year will require home to school transport.

1.43 **Community – growth required across the Directorate**

A total growth of £2.920m is required in 2021/22 to mitigate against the baseline budget pressures (£1.855m) and unachieved MTFS targets (£1.065m) across Community Directorate as set out below:

1.44 **Waste Services (£1.475m)**

- There is a significant pressure on waste disposal budgets. Residual waste tonnage has increased significantly since the start of the health pandemic due to working from home arrangements thereby more waste is produced by households. Based on the forecast waste tonnage for 2021/22, the budget pressure on West London Waste Levy (WLWL) is estimated at £0.75m in 2021/22, increasing by £300k each year in 2022/23 and 2023/24 to account for household growth and price inflations. The re-procurement of dry mixed recycling (DMR) waste disposal contract has been completed. Due to the continuous unfavourable market prices for mixed dry recyclables, the level of revenue rebate achieved from the sales of these has been low and is expected to remain so. The processing cost of the DMR waste has also increased in the new contract. The combined effect of these is that the cost of DMR waste disposal is estimated to be £0.6m more than budget.

- Following a review of the capital programme, the funding source for the purchase of domestic bins is switched from capital to revenue and therefore a revenue budget of £125k is required from 2021/22 in Waste Management.

1.45 **Facilities Management (£380k)**

- Building maintenance and responsive repairs for all corporate sites is forecast to overspend by £300k in 2020/21 against the base budget of £0.77m. A budget review in this area was undertaken and identified that the cost of Planned Preventative Maintenance (PPM) works across the corporate property portfolio was in excess of £420k. This does not include the cost of any remedial works following PPM or any cost of responsive repairs. Due to the age and the lack of investment of some of the buildings, the current budget is not sufficient to cover all building repairs and therefore a growth of £300k in included in 2021/22 budget.

- There is a reduction in the uptake of SLA services by schools, in the area of Facilities Management. This has created an income pressure of £80k for the service.

1.46 **Unachieved MTFS (£1.065m)**

- A MTFS target of £1.234m was originally set for the depot redevelopment project to reflect the financing cost of the capital borrowing. The target profiled to 2019/20 and 2020/21 were £246k and £681k respectively. Some of the overall target has been achieved from additional rent income across the corporate property portfolio, leaving a net target of £0.861m which remains unachievable in 2020/21 and will not be achieved from the new depot following a review of commercial opportunities earlier of the year.

- The existing MTFS has set a net target of £172k to be achieved from Vernon Lodge site through a combination of B&B saving and additional rent income in 2021/22. This is no longer achievable as the original Vernon Lodge redevelopment project did not go-ahead following planning issues and environmental health concerns.

- A procurement saving target of £200k was included in the MTFS in 2019/20. Despite some savings have been achieved from various Contract re-procurements, a net target of £32k remains unachievable.

1.47 **Community – Covid-19 loss of income @25% of 20/21 income budget and phased back in.**

Community Directorate provides a wide range of discretionary chargeable services. The COVID-19 health crisis and the social distancing restrictions imposed by Government have had a significant financial impact on Community Directorate as this adversely affects its ability to generate income which the directorate relies heavily on to deliver its budgets. A slow economic recovery is anticipated after lockdown measures are eased. This is likely to result in an adverse impact on 2021/22 income. A regular review of the income trend throughout 2020/21 forms the basis of estimating the likely budget impact over the MTFS period. Key areas of pressures are identified in Parking Services and Cultural Services and Leisure, with estimated income losses of £2.4m and £1.6m respectively in 2021/22. In addition, a pressure of £1m is identified from other transactional activities across various service areas. Therefore, the total income losses are estimated at £5m in 2021/22.

At this stage it is assumed that the income will gradually get back to the pre-Covid level over the MTFS period. The £5m growth will therefore be reversed in 2022/23 and 2023/24 respectively, except for some income which is expected to be lost permanently due to the redevelopment of the Civic Centre site. This includes income from the car park, staff restaurant, filming, cookery school and training academy. In addition, the current leisure contract will expire in 2023. The impact of the health pandemic in the leisure sector is likely to result in some longer term loss of income regardless of the future service delivery model, and therefore the MTFS assumes 50% reversal of the growth in this area, subject to further review in the next round of the MTFS.

1.48 **Spending Review - Estimated additional Covid-19 Funding.** The SR 20 announcements on additional Emergency Funding and Income Compensation for 2021/22 have been estimated at £4.6m and £500k respectively for Harrow and included in the draft budget for 2021/22 only.

1.49 **Application of non-General Fund Reserves**

After all known adjustments, the draft MTFS shows a revised budget gap of £30.852m of which £8.251m relates to 2021/22. In October 2020 a report was brought to Cabinet with an early indication of a draft MTFS for 2021/22 to 2023/24 which also showed a significant budget gap. This report explained the choices the Council was faced with in light of the indicative budget gap:

1) The Council could embark on a drastic programme of cuts to address the budget gap. At the time of it was considered unwise to consider any programme to reduce Council until there is clarity on the Councils funding settlement.

2) The Council has limited reserves that can be applied to the budget gap, mindful that the reserves are one off in nature and will only provide a temporary solution.

1.50 At the time of writing this draft budget report, it is accepted that the Council is still wating for the Indicative Financial Settlement due to be received mid to late December. However, all efforts have been made to include all quantifiable SR 20 announcements within the MTFS and it is considered unlikely the indicative settlement will materially change the estimated budget gap. It is also accepted that the draft MTFS for future years is an estimate. The estimate includes known growth and demand pressures but includes no potential funding implications from SR 21, additional support for social care (either grant or precept), support for the impacts of Covid-19. Therefore, it's not unrealistic that the indicative future budget gaps have the potential to reduce but the budget shortfall for 2022/23 is estimated £25.754m which exceeds the balance of the Councils remaining non-earmarked and General Fund reserves (£15.2m). Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must have a strategy in place to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan, ready to bring to Cabinet in the summer / autumn ready to feed into the budget setting round for 2022/23. Further detail will be presented on this in the final budget report to Council in February.

1.51 For the purposes of the 2021/22 budget, at draft budget stage the estimated budget gap of £8.251m will be funded through a mixture of reserves and a further tightening of expenditure in the current financial year to create a £2m reserve to support 2021/22. The reserves being applied are those reserves which were planned to be drawn down in 2020/21 but robust management of the in-year budget no longer requires this:

Budget Planning Reserve	£2.628m
Budget Risk Reserve	£1.771m
Adults Social Care Reserve	£0.920m
Children's Social Care Reserve	£0.932m
2020/21 Savings Target	£2m
Total	**£8.251m**

If the indicative settlement does deliver any additional financial benefit to budget, the draw down in reserves will be reduced.

Adjustments required following the Indicative Local Government Settlement announcement.

1.52 The indicative settlement was announced on 17 December, the final settlement being published early February before MP's vote on 10 February. The announcements, along with other changes, have resulted in several adjustments to the draft MTFS which are summarised in table 3 and supported by explanatory text which follows the table:

Table 3: Adjustments to the MTFS 2021/22 to 2023/24 (After the Indicative Local Government Settlement of 17/12/20)

	2021/22	2022/23	2023/24
	£'000	**£'000**	**£'000**
Budget gap as per the December 2020 Draft Budget (prior to application of reserves)	**8,251**	**17,503**	**5,098**
Adjustments:			
Council Tax and Business Rates			
Collection Fund surplus	-180	180	0
Business Rates Retention- increased from £14.942m to £15.346m. This increase will be offset by a reduction in Section 31 grant to the same value.	-404		
Reduction in Section 31 grant as above	404		
Summary of Budget changes - Appendix 1A			
Investment in Equalities, Diversity and Inclusion	100		
Adjustment to Adults Growth - a sum of £1.921m growth requirement being held as an ear marked reserve rather than budget growth.	-1,921		
Technical Changes			
Additional Grant For Social Care - the draft budget assumed £1.044m however the settlement announced £326k hence a reduction of £718k.	718		
£1.55b grant to meet additional COVID expenditure - the settlement announced £6.051m, an increase of £1.451m from the draft budget.	-1,451	1,451	
Additional multiplier grant	-477	477	
Additional lower tier grant	-399	399	
Additional New Homes Bonus	-9	9	
Additional Council Tax Support Grant	-1,780	1,780	
Planned £2m underspend in 2020/21 to support 2021/22	-2,000	2,000	
Use of non ear marked reserves	-852	852	
Budget Gap February 2021	**0**	**24,651**	**5,098**

1.53 **Collection Fund and Business Rates Retention**- due to sustained collection rates in 2020/21, a small surplus on the Collection Fund can be brought into the final budget for 2021/22 only. The value of retained business rates will increase by £404k but will be matched by an equal reduction in Section 31 grant hence a neutral impact on the MTFS.

1.54 **Investment in Equalities, Diversity and Inclusion** - Harrow prides itself in being one of the most ethnically and religiously diverse Boroughs in the country with people of many different backgrounds and life experiences living side by side. However, the Council recognises that more can be done to enhance the lived experience of all staff, service users and communities and to provide better outcomes for them. It is evident that a robust strategic approach is required to tackle inequality, one that although covers all protected characteristics, has a principle focus on race and ethnicity in the first instance. The council has developed a three-strand approach to address Equalities, Diversity and

Inclusion (EDI). This cover; addressing inequality in life outcomes; reviewing services delivered, and the Council's role as an employer. To deliver this approach successfully, further resources are required and £100k of investment is being provided for to create a specialist EDI function that will develop a new strategic approach towards equalities, diversity and inclusion. Additionally, a further £250k is being set aside as an ear marked reserve for supplementary activity to take forward this agenda.

1.55 **Adjustments to Adults growth investment / Additional grant for social care**– At the draft budget stage, the growth requirement for adult social care in 2020/21 was £6.239m and this was to be funded by growth already in the MTFS (£2.996m), additional direct growth into the Adults Division of £1.776m (capped at the quantum raised by the 3% precept and additional direct grant) with the balance to reach the requirement (£1.467m) being provided within the budget but retained corporately. In the final budget the growth requirement of £6.239m remains the same and additional growth into the Adults Division will remain capped at the quantum raised by the precept and additional direct grant. The key difference is that the balance to reach the growth requirement will be set aside as an ear marked reserve rather than being provided for as permanent growth. This is to reflect the challenges of reaching a balanced budget position without an over reliance on one off reserve and for further work to be undertaken on the growth requirement considering any changes brought about because of the pandemic. Therefore, in the final budget the £6.239m growth requirement is funded as follows:

Funding already in the MTFS	£2.996m
Additional direct growth	£1.322m (1)
Ear marked reserve	£1.921m
	£6.239m

(1) The additional direct growth has reduced from £1.776m to £1.322m as a result of a precept increase of £264k and the additional social care direct grant reducing from £1.044m at draft budget to £326k.

Along with all services, the adult's budget will be robustly monitored in 2021/22, including the growth requirement, to ensure the adjusted funding methodology is sufficient for 2021/22 and future years.

1.56 **Additional Covid 19 expenditure grant / Multiplier grant / lower tier grant and New Homes Bonus –** The lower tier grant was newly announced at settlement with the other three grants all increasing in value in the financial settlement. The challenge is, except for the New Homes Bonus, the grant income is non recurrent in nature and must be reversed out of the MTFS in 2022/23.

1.57 **Additional Council Tax Support Grant**- This is a new grant to help local authorities support households least able to afford Council Tax. The Council has been given an indicative allocation of £2.325m with the final value subject to confirmation. The draft budget explained that

£1.78m has been reduced from the council tax base (loss of 1,421 properties) due to the growth in Council Tax Support as a result of the weakening economy and the pandemic. Therefore £1.78m of the grant is being applied to the 2021/22 budget to compensate for the CTS related loss in the base. £370k will be set aside to award everyone receiving CTS as at 1/4/2021 a one off council tax hardship award which will negate the inflationary increase of 4.99%. It will not however cover the GLA element within any overall yearly increases. Based on the average band D band, CTS recipients will therefore be awarded between £35 and £60 (depending on their Council Tax band and the percentage of CTS entitlement). Additionally, an extra £50k has been set aside to also ensure the same inflationary award is granted to any further new claimants of CTS throughout 2021/22 as and when they are assessed as eligible. The balance of £125k will be set aside for further hardship support during the year.

1.58 **Planned £2m underspend in 2020/21 to support 2021/22** – The report 'P3 2020/21 Revenue and Capital Monitoring 2020/21', elsewhere on this agenda, shows a forecast underspend against the business as usual budget of £1.985m which supports the target £2m being achieved.

1.59 **Use of none ear marked reserves**- The draft budget assumed using £6.251m of reserves to achieve a balanced budget, at final budget this has reduced significantly to £852k releasing £5.399m of reserve to support the MTFS.

1.60 The draft budget included a reduction in the cost of **Freedom Passes** of £1.108m, the reduction has been confirmed at £1.292m, an improvement of £184k. The final budget has not been adjusted on account of several other levies payable by the Council have yet to be confirmed for 2021/22 and the benefit of £184k will be held to offset any adverse variances in the outstanding levies.

Budget Refresh, Growth & Savings

1.61 There is a commitment to refresh the three-year MTFS annually to ensure it remains reflective of the changing Harrow and Local Government landscape. All savings in the current MTFS for 2021/22 and 2022/23 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget.

1.62 Table 4 summarises the total savings and growth put forward as part of the budget process last year in respect of financial years 2021/22 and 2022/23. Table 4 shows total savings of £8.410m between 2021/22 and 2022/23 and growth of £2.067m, so net savings of £6.343m across 2 years. The net saving for 2021/22 is £4.799m. The detail is set out in Appendix 1B.

Table 4: Savings and Growth from the 2020/21 Budget Process

	2021-22	2022-23	Total
	£000	£000	£000
Savings Summary			
Resources	(1,934)	-	(1,934)
Children	(410)	-	(410)
Community	(1,125)	-	(1,125)
Corporate	(2,719)	(2,222)	(4,941)
Total Savings	**(6,188)**	**(2,222)**	**(8,410)**
Growth Summary			
Resources	493	678	1,171
Adults	652	-	652
Children	-	-	-
Community	-	-	-
Corporate	244	-	244
Total Growth	**1,389**	**678**	**2,067**
Total Savings and Growth	**(4,799)**	**(1,544)**	**(6,343)**

1.63 Table 5 sets out the total changes in terms of Growth/reversed savings and growth and savings proposed as part of the 2021/22 budget process. Table 5 shows a net growth as a result of reversed savings/growth and new growth of £13.327m over the three-year period 2021/22 to 2023/24. The impact in 2021/22 is net growth of £13.494m. The detail is set out at Appendix 1A.

The net impact on the 2021/22 budget from the £4.799m net saving in Table 4 and the £13.494m of net growth in Table 5, is net growth on the budget of £8.695m.

Table 5: Growth/Reversed savings and savings from 2021/22 Process

	2021-22	2022-23	2023-24	Total
	£000	£000	£000	£000
Reversal of prior year savings/ growth and new savings				
Resources	(176)	(177)	-	(353)
Children				-
Community	(250)	(300)	(600)	(1,150)
Corporate	1,175	1,475	600	3,250
Total	**749**	**998**	**-**	**1,747**
Growth and reversal of prior year savings				
Resources	234	-	-	234
Adults	1,787	1,047	-	2,834
Children	2,004	1,205	-	3,209
Community	8,838	(1,918)	(1,499)	5,421
Corporate	(118)	-	-	(118)
Total	**12,745**	**334**	**(1,499)**	**11,580**
Net Impact of Reversals/Growth and Savings	**13,494**	**1,332**	**(1,499)**	**13,327**

INVESTMENT

1.64 In the 2020/21, £965k was invested into front line services, funded by an earmarked amount in the Business Risk Reserve. A balance of £1m is within the reserve to cover investments in 2021/22 and 2022/23 and those being funded in 2021/22 are detailed:

investments will continue into 2021/22:

- Street Sweeping (2 weekly sweeping within the borough) (£184k)
- School Improvement (£90k)
- Enforcement (£100k)
- Ward Priorities (£21k)
- Community Cohesion (£70k)

CAPITAL RECEIPTS FLEXIBILITY

1.65 In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially offered for the three years 2016/17 to 2018/19 but was extended as part of the 2018/19 Finance settlement for a further 3 years from 2019/20 to 2021/22.

1.66 The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016. The final budget for 2021/22 includes capital flexibilities of £2m.

SCHOOLS BUDGET – Dedicated Schools Grant (DSG) 2021/22

1.67 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.

1.68 There are no proposed changes to the **structure** of the formula for 2021/22 however, there are several changes which impact on school budgets.

1.69 The LA undertook a consultation with all schools, academies and free schools in Harrow to seek views on aspects of school funding for 2021/22 in the autumn term.

1.70 The full outcome of the consultation, proposed final funding formula and final DSG allocations is set out at Appendix 6 of this report.

PUBLIC HEALTH FUNDING

1.71 In 2020/21 the total public health grant to local authorities totalled £3.279bn, with £11.150m 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.

1.72 The Public Health commissioning intentions detailed in Appendix 7 are based on the current (2020/21) grant allocation as Public Health England have yet to announce national funding for 2021/22. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan and evidence of population priorities. At this stage there is no assumption of additional duties arising from the pandemic being placed on local authorities on an ongoing basis, and as a result 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 need's assessment.

1.73 In the event that additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed considering the allocated grant envelope.

BETTER CARE FUND (BCF)

1.74 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.

1.75 The BCF continues to provide a mechanism for personalised, integrated approaches to health and care that support people to remain independent at home or to return to independence after an episode in hospital. The continuation of the national conditions and requirements of the BCF provides opportunities for health and care partners to build on their plans to embed joint working and integrated care further, including how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision.

1.76 The Better Care Fund Policy statement announced at the beginning of December advised that the CCG contribution will again increase by 5.3% in line with the NHS Long Term Plan settlement. Whilst the Policy Framework and Planning Requirements which provide the detailed guidance is expected to be published in early 2021 (usually March), the requirements around integration and collaborative working are expected to continue.

1.77 The 2021/22 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2020/21 level of £6.436m, although this should be expected to increase by up to 5.3% in light of the NHS increase committed within the spending review.

1.78 The 2021/22 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

RESERVES AND CONTINGENCIES

1.79 Reserves and contingencies need to be considered in the context of their role to protect the Council's good 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. At the time of writing this report, the Council has £42.802m of reserves (detailed in Appendix 9 – Reserves Forecast):

Ear marked reserve of £23.352m – ear marked to specific items of expenditure, for example Community Infrastructure Levy, PFI and Public Health. Within this figure there is £1.969m which relates to Adult Social Services (£1.753m in the Carry Forward Reserve and £216k in the Revenue Grant Reserve) which will now form the ear marked Adult Social Care growth reserve.

Non ear marked reserve of £9.450m – covers those reserves which are currently titled Business Risk, Budget Planning, Children's Social Care, Capacity and Transformation, MTFS Implementation and Commercialisation. In the 2020/21 outturn report these reserves will be transferred into one single Budget Risk Reserve with 2 sums moved into ear marked reserves to cover:

- Equality, Diversity and Inclusion £250k
- London Living Wage £250k

General Fund Reserve of £10m

1.80 The Councils holds a recurrent contingency for unforeseen items in its revenue budget of £1.248m.

1.81 The Director of Finance and Assurance will report on the adequacy of the Council's reserves as required in the budget setting report in February 2021.

LEVIES, CONTINGENCIES AND SUBSCRIPTIONS

1.82 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2021/22. These sums are set by other bodies and are outside the Council's control. With the exception of the subscriptions to London Councils.

BUDGET PROCESS 2022/23 and 2023/24

1.83 There is a good track record of containing revenue expenditure within annual budget. Since 2017/18 underspends have been declared at outturn allowing very low reserve balances to be added to and the current financial year is forecasting a budget underspend on business as usual to support 2021/22. This report does recommend a balanced budget for 2021/22 but a significant budget gap of £29.7m remains over the last two years of the MTFS. Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must have a strategy in place to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan, to the value of a minimum £10m, ready to bring to Cabinet in the summer / autumn ready to feed into the budget setting round for 2022/23.

COUNCIL TAX MODEL RESOLUTION

1.84 The draft Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1598.70 and assumes a GLA precept of £363.66. This is still subject to confirmation of the GLA precept which is expected to be confirmed on 25 February 2021.

The proposed GLA precept for 2021/22 of £363.66 is an increase of 9.5%. This takes the aggregate Council Tax increase to 5.8%.

MEMBERS ALLOWANCES

1.85 The proposed Members Allowances scheme for 2020/21 is attached at Appendix 12. This has been prepared having regard to the report of the Independent Panel that considered the Renumeration of Councillors in London. Member allowances are to be frozen for 2021/22 and hence will remain the same as 2020/21.

ANNUAL PAY POLICY STATEMENT

1.86 Under the Localism Act all public authorities must publish annual pay policy statements. The statement must set out the Authorities policies for the financial year relating to:

- Renumeration of its Chief Officers
- Renumeration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers.

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

LONDON BOROUGHS GRANTS SCHEME

1.87 Harrow's contribution to the London Borough's Grant Scheme was £187k in 2020//21 and will be £186,875 in 2021/22.

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 three-week consultation to provide residents with the opportunity to comment on the draft budget proposals. The draft budget reported was available to view on the Council's website and the consultation was also advertised via the MyHarrow weekly email which is sent to 74,000 MyHarrow email accounts

2.4 The consultation closed on Thursday 28 January 2021. There were 22 respondents to the general survey. Over the three main questions, responses disagreed with the draft budget and proposed increases in Council Tax:

Question 1 - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (7 agree, 15 disagree).

Question 2 - Given the Council's funding situation, do you agree with the Council's proposal to increase Council Tax by 1.99%? (9 agree, 13 disagree).

Question 3 - Given the Council's funding situation, do you agree with the Council's proposal to further increase in Council Tax by the 3% adult social care precept? (8 agree, 14 disagree).

The response rate was not high enough to mean that any equalities breakdown of the responses would be statistically significant.

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

Table 6: Key Stakeholder Consultation

Stakeholder	**Meeting**	**Date**
Unions	Corporate Joint Committee	13/01/21
Health Partners	Health & Care Executive Meeting	05/02/21 (1)
Local Businesses	Harrow Business Consultative Panel	25/01/21
Overview and Scrutiny	Special meeting of the O & S Committee to review the	12/01/21

	budget	
Unions / Employees	Employees Consultative Forum	25/01/21

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

2.6 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example, to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2021/22 savings and may be subject to a separate cabinet report.

3.0 PERFORMANCE ISSUES

3.1 In terms of financial performance, Cabinet are 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**

4.2 Separate risk register in place? **No**

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

4.4 The following key risks should be taken onto account 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. At Quarter 3 2020/21 this risk is rated at B2 – high likelihood and critical impact.	▪ Annual budget setting process ▪ Process to challenge and quality assure MTFS ▪ Process to ensure MTFS accurately reflects demand & legislative changes ▪ In-year Revenue & Capital monitoring reported to CSB, Cabinet and all members regularly ▪ In-year budget on track for delivery to minimise impact on MTFS ▪ Watching brief maintained on the external environment and financial impact ▪ Refreshed MTFS reported to Oct Cabinet in advance of draft 21/22 budget ▪ Revenue budget contingency remains in in place for unforeseen items	

	▪ Clean bill of health on our 18/19 Statement of Accounts and VFM audit from the External Auditors ▪ Strategic financial planning with CSB & Cabinet	
A balanced budget position is not achievable in 2022/23 or 2023/24 due to the overall reduction in revenue/funding, increases in the population, disproportionately high impact of Covid-19 on the borough, economic uncertainty and the difficulty of finding sustainable savings year on year. This leaves the Council in a grave financial position, facing very difficult budget decisions and potentially at risk of being unable to meet the demand for services, particularly Adult Social Care, Children's Placements and Accommodation and SEN.	▪ Tight financial management ▪ Maintaining the level of reserves and using them with caution ▪ Increasing Council Tax in line with referendum limits ▪ Full use of Adult Social Care precept ▪ Ongoing efficiencies ▪ The generation of income ▪ A budget strategy for savings	
In preparing the final budget for 2021/22 it is accepted that there is an element of risk until the Final Financial Settlement is received mid-February 2021.	▪ The revenue budget includes a contingency for unforeseen items of £1.248m	

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 taxpayers, 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 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.

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, in particular, 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, 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 Relevant directorate proposals will be subject to an initial equalities impact assessment followed by a full assessment where appropriate. These are published with this report. There is also a cumulative equalities impact on the budget which shows an overall minor adverse impact on age but the equalities impact indicates that mitigation is in place to minimise this impact.

9.0 COUNCIL PRIORITIES

9.1 The Council's draft budget for 2021/22 has been prepared in line with the Council's priorities:

- Improving the environment and addressing climate change
- Tackling poverty and inequality
- Building homes and infrastructure
- Addressing health and social care inequality
- Thriving economy

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 02/02/2021

Statutory Officer: Jessica Farmer
Signed on behalf of the Monitoring Officer
Date: 02/02/2021

Chief Officer: Charlie Stewart
Signed off by the Corporate Director
Date: 02/02/2021

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 02/02/2021

Head of Internal Audit: Susan Dixson
Signed by the Head of Internal Audit
Date: 02/02/2021

Mandatory Checks

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

EqIA carried out: NO - Cumulative equalities impact on the budget

EqIA cleared by: Jessica Farmer

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Director of Finance and Assurance, tel: 0208 4209269, dawn.calvert@harrow.gov.uk

Background Papers:

- Equality Impact Assessments
- Reference from Performance and Finance Sub-Committee
- Reference from Overview and Scrutiny Committee
- Recommendation from Harrow Business Consultative
- Recommendation from Employees' Consultative Forum

Call-in waived by the Chair of Overview and Scrutiny Committee

NOT APPLICABLE (decisions reserved to Council)

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Appendix 1A - Growth/Reversed savings and savings from 2021/22 Proce

	2021-22	2022-23	2023-24	Total
	£000	**£000**	**£000**	**£000**
Reversal of prior year savings/ growth and new savings				
Resources	(176)	(177)	-	(353)
Children				-
Community	(250)	(300)	(600)	(1,150)
Corporate	1,175	1,475	600	3,250
Total	**749**	**998**	**-**	**1,747**
Growth and reversal of prior year savings				
Resources	234	-	-	234
Adults	1,787	1,047	-	2,834
Children	2,004	1,205	-	3,209
Community	8,838	(1,918)	(1,499)	5,421
Corporate	(118)	-	-	(118)
Total	**12,745**	**334**	**(1,499)**	**11,580**
Net Impact of Reversals/Growth and Savings	**13,494**	**1,332**	**(1,499)**	**13,327**

Appendix 1A

Growth/Reversed savings and savings- 2021/22 Budget Process

Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000				
Reversal of prior year savings/ growth and new savings																	
Resources Directorate																	
									-				-				
1		Legal & Governance	Bucks and Aylesbury Vale District Council exit of shared service with Legal Services. Scale down the growth agreed in 20/21 budget process.The growth was to fund the net impact of this lost income.	7,550	0	0	7,550	TBC	-	(176)	(177)		(353)		N	N	
			Resources total	**7,550**	**-**	**-**	**7,550**	**-**	**-**	**(176)**	**(177)**	**-**	**(353)**				
People Directorate																	
										-	-						
			Total Adults					**-**	**-**	**-**	**-**	**-**	**-**				
													-				
			Total Children's Services		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**				
Community Directorate																	
2	COM21.22_S01	Environment & Commissioning	Commissioning and Environmental Services re-organisation - net saving on salary budget	26,075	-	-	26,075	TBC	-	(250)			(250)		Y	N	Yes - Staff, trade unions
3		Housing General Fund	Property Acquisition Programme - Savings in Temporary Accommodation costs as a result of purchasing properties to use for temporary accommodation as an alternative to using Bed and Breakfast and Private Sector Leasing to house the homeless. The Capital Programme allocation to be funded from borrowing is approximately £6m pa for 2021/22, 2022/23 and 2023/24 - totalling £18.062m over a 3 year period. Based on Capital financing costs of 5% (2% MRP and 3 % interest), the annual cost would be £900k by year 3. The saving will be reviewed and adjusted according to capital spend taking place.							-	(300)	(600)	(900)		N	N	
			Community Total		**-**	**-**	**966**	**-**	**-**	**(250)**	**(300)**	**(600)**	**(1,150)**	**-**			
Corporate																	
4	Corporate	Capital Financing	Capital Financing costs as a result of the Property Acquisition Programme. To be offset by savings in the Housing General Fund included in this schedule.							-	300	600	900		N	N	
5	Corporate	Corporate	Removal of Investment Property Capital Budget and savings associated.		-	(7,050)	(7,050)			3,525	3,525	-	7,050		N	Y	
6	Corporate	Corporate	Capital financing costs reduced as a result of removal of Investment Property Capital Budget		-	4,700	4,700			(2,350)	(2,350)	-	(4,700)		N	Y	
			Corporate Total					**-**	**-**	**1,175**	**1,475**	**600**	**3,250**	**-**			
			Total					**-**	**-**	**749**	**998**	**-**	**1,747**				

Appendix 1A

Growth/Reversed savings and savings- 2021/22 Budget Process

Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
Growth and reversal of prior year savings																	
Resources																	
7	RES 1	Strategy	Emergency Planning & Business Continuity Pan London Resilience improvement programme.	167			167	-	-	70			70		N	N	N
8	RES 2	Transformation - PMO	Expansion of PMO	244			244		-	64			64		N	N	Yes
8	RES 3	Strategy	Growth in HR to fund the establishment of a small team to take forward Council's Equality, Diversity and Inclusion (EDI) strategy and action plan, particularly in response to Black Live Matters movement."	-			-		-	100			100		N	N	Yes
			Total Resources	**411**	**-**	**-**	**411**	**-**	**-**	**234**	**-**	**-**	**234**	**-**			
People Directorate																	
			Adults														
9		Transition and Personal Budgets	Reversal of 'Growth in the transition budget and Personal Budgets' agreed as part of the 2019/20 Budget Setting as this is replaced by the updated growth figure of £3.895m. The £652k was based on £300k for transitions (assumes additional 10 pa) and £352k for Personal Budgets (a further 1 new PB every other week)			652	652			(652)			(652)		N	N	N
10		Placements	Demand Pressures - additional pressures identified and reported to Cabinet in February 2020.	35,686	7,317	0	43,003	N/A		3,895	1,047	-	4,942		N	N	N
		Placements	Adjustment to Adults Growth agreed at draft budget - a sum of £1.921m for growth will be held as a budget reserve rather than permanent growth being added to the budget.							(1,921)			(1,921)				
11		Equipment	Careline & Community Equipment - historic annual capital expenditure to be funded by revenue and no longer put through the Capital Programme	372	-	-	372	N/A		465			465		N	Y	N
			Total Adults					**-**	**-**	**1,787**	**1,047**	**-**	**2,834**				
			Children's Services														
12	PCS21.22_G01	CYPS	Children's Placements & Accomodation	25,482				-	-	1,227	1,205		2,432		N	N	No
13	PCS21.22_G02	Education	SEN Transport	5,015				-		777	(0)		777		N	N	No
			Total Children's Services		**-**	**-**	**-**	**-**	**-**	**2,004**	**1,205**	**-**	**3,209**				
			People Total		**-**	**-**	**-**	**-**	**-**	**3,791**	**2,252**	**-**	**6,043**				
Community																	
14	COM21.22_G01	Directorate wide	Impact of Covid-19: Loss of income across Community directorate	(46,399)	-	-	(46,399)	-	-	5,000	(2,218)	(1,799)	983		N	N	No

Appendix 1A

Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
Growth/Reversed savings and savings- 2021/22 Budget Process																	
15	COM21.22_G02	Facilities Management	Income pressure for School SLA services	(226)			(226)	-	-	80			80		N	N	No
16	COM21.22_G03	Facilities Management	Building repair and maintenance for all corporate sites	771			771	-	-	300			300		N	N	No
17	COM21.22_G04	Depot	Residual amount of unachieved MTFS target relating to Depot	(1,234)			(1,234)	-	-	861			861		N	N	No
18	COM21.22_G05	Contracts Management	Residual amount of unachieved MTFS procurement saving (£250k profiled in 19/20)	(250)			(250)	-	-	32			32		N	N	No
19	COM21.22_G06	Waste Services	West London Waste Authority Levy increases as a result of waste growth, household growth and contract price inflation	8,357			8,357	-	-	750	300	300	1,350		N	N	No
20	COM21.22_G07	Waste Services	Increase in Mixed Dry Recycling waste disposal cost	947			947	-	-	600			600		N	N	No
21	COM21.22_G08.1		Redevelopment of Vernon Lodge - Reversal of MTFS target that reflects capital financing cost and net income	(80)	(643)		(723)	-	-	723			723		N	N	No
22	COM21.22_G09.1		Probation Centre - Reversal of MTFS target which reflects capital financing cost of £5m capital	-	275		275	-	-	275			275		N	N	No
23	COM21.22_G10.1		Unmanned Aerial Vehicles -Reversal of MTFS target that reflects capital financing cost of £400k capital	-	(92)		(92)	-	-	92			92		N	N	No
24	COM21.22_G11	Waste Services	Waste bins - change the funding source from capital to revenue following capital programme review	-			-			125			125		N	N	No
													-				
			Community Total		**-**	**-**	**-**	**-**	**-**	**8,838**	**(1,918)**	**(1,499)**	**5,421**				
26		**Corporate Finance**	Reversal of saving from 'SEN Transport efficiency from Transformation		(400)	(400)	(800)			800			800		N	N	
26	COM21.22_G08.2	Corporate Finance	Redevelopment of Vernon Lodge - Reduction in capital financing costs	307	244		551	-	-	(551)			(551)		N	N	No
27	COM21.22_G09.2	Corporate Finance	Probation Centre - Reduction in capital financing costs	-	(275)		(275)	-	-	(275)			(275)		N	N	No
28	COM21.22_G10.2	Corporate Finance	Unmanned Aerial Vehicles - Reduction in capital financing cost	-	92		92	-	-	(92)			(92)		N	N	No
			Corporate Total			**-**	**-**	**-**	**-**	**(118)**	**-**	**-**	**(118)**				
			Total		**-**	**-**	**-**	**-**	**-**	**12,745**	**334**	**(1,499)**	**11,580**				
			Net Impact of Reversals/Growth and Savings					**-**	**-**	**13,494**	**1,332**	**(1,499)**	**13,327**				

Appendix 1B - Savings and Growth 2021/22 to 2022/23 from the 2020/21 Budget Process

	2021-22	2022-23	Total
	£000	**£000**	**£000**
Savings Summary			
Resources	(1,934)	-	(1,934)
Children	(410)	-	(410)
Community	(1,125)	-	(1,125)
Corporate	(2,719)	(2,222)	(4,941)
Total Savings	**(6,188)**	**(2,222)**	**(8,410)**
Growth Summary			
Resources	493	678	1,171
Adults	652	-	652
Children	-	-	-
Community	-	-	-
Corporate	244	-	244
Total Growth	**1,389**	**678**	**2,067**
Total Savings and Growth	**(4,799)**	**(1,544)**	**(6,343)**

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process														Appendix 1B
Item No	**Unique Reference No.**	**Headline Description re: saving / reduction**	**2019/20 Service Budget**	**agreed Savings /growth 2020/21**	**agreed'Savings /growth 2021/22**	**Net budget**	**Implementation Costs & Redundancy**	**Implementation Costs CAPITAL**	**2021-22**	**2022-23**	**Total**	**EQIA Required Y/N**	**Does this proposal impact on another directorate Y/N**	**Key Stakeholders to consult 'Yes/No Completed**
			£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**			
Resources Directorate														
3	RES 4	Benefits - delete two posts over two years	913	0	0	913	-	-	(33)		(33)	N - Vacant Post.	N	N
6	RES 2019-20 S1-5	Reduction in Customer Channels (B) - closing telephony & email channels across Council Tax, Housing Benefits, Planning, Building Control, Education, Parking & Switchboard and only accepting on-line applications following the release of new on-line services by April 2019/20.							(175)		(175)	http://moderngov:8080/documents/g64382/Public%20reports%20pack%20Thursday%2021-Feb-2019%2018.30%20Cabinet.pdf?T=10.	Y	Affected services
9	RES	**Investment Income :** Income from investing in commercial properties							(1,726)		(1,726)	N	N	N
		Resources total	**5,756**	**-**	**-**	**5,756**	**20**	**-**	**(1,934)**	**-**	**(1,934)**			
People Directorate														
10	PC_01	**Reduction in expenditure in relation to children's placements, accommodation and client related spend.** Targeted early intervention and support to prevent young people from coming into care or stepping young people down from care where it is safe to do so. Targeted actions continue to reduce the average cost of service provision through negotiation with providers and continued maximisation of capacity available within block contracts services and council properties.	**9,880**	**0**	**0**	**9,880**	-	-	(410)		(410)	N - Reduction in cost of provision rather than the provision. Assessment will be done on individual basis.	N	N
10	PC_01	This saving has been reversed as part of the Children's growth included in Appendix 1A.	**9,880**	**0**	**0**	**9,880**	-	-				provision rather than the provision. Assessment will be done on individual basis.	N	N
		Children and Young People Total	**9,880**	**-**	**-**	**9,880**	**-**	**-**	**(410)**		**(410)**			
Community Directorate														
11	COM_20.21_S01	Substitute funding for 2 existing job brokers with external grant in 2020/21. External funding has been secured as part of Strategic Investment Pot (SIP) over 2 years. Part of this grant is earmarked for funding staffing costs. The proposed funding substitution means the delivery of the programme will have to be incorporated into the work of existing staff. If no further funding is secured beyond 2020/21, one post will be deleted and the other one retained.	202	-	-	202	TBC	-	45		45	N - external funding secured to retain the post in 2021/22	N	N

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process														Appendix 1B
Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed'Sa vings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implement ation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
14	COM_20.21 _S03	Removal of base budget from October 2020 for 4 positions that are currently 67% grant funded. These 4 FTC positions are created as part of the successful bid to HLF for the Headstone Manor refurbishment project. HLF funding will end in Sept 2020, thereby the future of these posts will be dependent on the availability of further external funding. As no further external funding has been secured, these positions are deleted in 2020/21. This saving started in 2020/21 with a £22k saving made in 2020/21, therefore a total of £44k across 2 years.	157	-	-	157	TBC	-	(22)		(22)	Y - already completed as part of 2020/21 budget process	N	N
15	COM_20.21 _S04	Review of Travellers site-'The council has a duty to provide suitable accommodation for Gypsy and Travellers and use Watling farm site for this purpose.Saving proposal is to seek a cost neutral outcome for the council . The housing service have reconsidered this proposal and will not be able to carry out a review to achieve full cost recovery for 2021/22. Therefore this saving will not be made in 2021/22 and will be considered as a 2022/23 saving. The £14k saving in 2021/22 will be met from within the existing 2021/22 housing general fund budget.	14	-	-	14	-	-	(14)		(14)	N - not required in 2021/22 but will be required for 2022/23 budget process.	N	N
16	COM_20.21 _S05	Reduction in EACH contract and Sheltered housing support from April 2020- Each contract to be transferred to floating support scheme and reduction in sheltered housing support proposed to finance through enhanced housing management service charge which is HB eligible/ or reduce scope of the service provided.	400	-	-	400	-	-	(68)		(68)	Y - required in 2021/22. Individual assessments will be done.	N	N
18	COM_20.21 _S07	Building Control - Additional income from commercialisation of the service	(132)	-	-	(132)	-	-	(20)		(20)	N	N	N
24	COM_19.20 S04	Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House Site The maximisation of the assets to increase the homelessness provision at Vernon Lodge while providing capacity to generate additional income at both Vernon Lodge and Atkins House, following Cabinet approval of the redevelopment work in July 18. Gross savings.							(643)		(643)	http://moderngov:8080/documents/g64382/Public%20reports%20pack%20Thursday%2021-Feb-2019%2018.30%20Cabinet.pdf?T=10.	N	Y for any planning application

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process														Appendix 1B
Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed'Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
24	COM_19.20 S04	This saving is being reversed out in Appendix 1A												
26		Additional Financing Income : Banister (25k) Harrow Weald Toilet (£11k) Probation Centre (£275k) Drones (unmanned aerials) (£92k)							(403)		(403)	N	N	N
26		This saving for the Probation Centre and Drones is being reversed out in Appendix 1A										N	N	N
		Community Total	**966**	**-**	**-**	**966**	**-**	**-**	**(1,125)**	**-**	**(1,125)**			
Corporate														
27	COR 02	Gayton Road - income from 53 PRS units							(144)	(47)	(191)	N	N	N
28	COR 03	SEN Transport efficiency from Transformation							(400)		(400)	N	N	N
28	COR 03	This saving is being reversed out in Appendix 1A												
29	COR 04	Income from £100m Investment Property Purchase							(3,525)	(3,525)	(7,050)	N	N	N
30	COR 05	Capital Financing Cost of the £100m Investment Property							2,350	2,350	4,700	N	N	N
	COR 04 and 05	The net impact of the Investment Property income is being reversed out in Appendix 1A												
31	COR 06	Transformation Target - additional £1m over and above SEN Transport target per annum							(1,000)	(1,000)	(2,000)	N	N	N
		Corporate Total							(2,719)	**(2,222)**	**(4,941)**			
		Total Savings							**(6,188)**	**(2,222)**	**(8,410)**			
Growth														
Resources														
2	RES G2	Bucks and Aylesbury Vale District Council exit of shared service with Legal Services. The growth is to fund the net impact of this lost income.							353	678	1,031	N	N	N
	RES G2	A proportion of this growth is being reversed out in Appendix 1A												

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process														Appendix 1B
Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed'Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
6	RES 2019-20 G1-2	The Housing Benefit Admin Grant reduces annually due to year on year efficiency cuts to DWP (Department of Work and Pensions) funding under SR2007 & SR 2013 efficiency directives in relation to settlements to DWP funding. The DWP efficiency targets in place impact on the HB Admin Grant annually, reducing future grants by approximately 10% cumulatively (7% + 3%).							90		90	N	N	N
7	RES 2019-20 G1-3	Growth is required to replace cuts in both DWP (Department for Work and Pensions) Administration grants to the Local Authorities and for overpayments of compensation payments from DWP to Harrow. This is due to both imposed cuts to the LA admin grant by the DWP due to their own savings strategy and due to the fact that as we will administer less cases over time (due to the migration of new cases to Universal Credit), there will be less overpayments and therefore less compensation awarded to Harrow which reduces the income in the revenue budget.							50		50	N	N	N
		Resources Total	-	-	-	-	-	-	**493**	**678**	**1,171**			
People														
		Adults												
10	Adults	Growth in the transition budget and Personal Budgets over the next 3 years which will increase the transitions budget by a total of £1.4m and Personal Budgets by £1.218m. **'Growth 2019-20.** This relates to £650k for transitions funding (addtional 24pa) and £345k for personal budgets (addtional 1 per week).**Growth 2020-21.** This relates to £450k for transitions funding (based on further 15) and £521k personal budgets (assumes a further 1 new PB every other week in addition to the 2019/20 increase) **Growth 2021-22** - this relates to £300k for transitions (assumes additional 10 pa) and £352k for Personal Budgets (a further 1 new PB every other week)							652		652	N	N	N
10	Adults	This growth is being reversed out in Appendix 1A												
		Adult Total							652	-	652			
		People Total	-	-	-	-	-	-	**652**	-	**652**			

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process **Appendix 1B**

Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed'Sa vings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implement ation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
	Corporate													
25		Capital Financing costs associated with the capital investment of the redevelopment of the Vernon Lodge and Atkins House site.							244		244	N	N	N
25		This growth is being reversed out in Appendix 1A along with the savings associated with the original scheme.												
		Corporate Total (financing Cost)							**244**	**-**	**244**			
		Total Growth	**0**	**0**	**0**	**0**	**0**	**0**	**1,389**	**678**	**2,067**			
		Net Savings/Growth							**(4,799)**	**(1,544)**	**(6,343)**			

MEDIUM TERM FINANCIAL STRATEGY 2021/22 to 2023/24

Appendix 2

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Budget Requirement Brought Forward	167,081	174,762	179,440	182,039
Corporate & Technical	6,393	-4,018	27,463	6,597
People	289	4,033	2,252	0
Community	1,286	7,463	-2,218	-2,099
Resources	383	-1,383	501	0
Corporate	-670	-1,418	-747	600
Total	**7,681**	**4,677**	**27,251**	**5,098**
FUNDING GAP	**0**	**0**	**-24,651**	**-5,098**
Total Change in Budget Requirement	**7,681**	**4,677**	**2,600**	**0**
Revised Budget Requirement	**174,762**	**179,440**	**182,039**	**182,039**
Collection Fund Deficit/-surplus	-2,120	-180	0	0
Revenue Support Grant	-1585	-1585	-1585	-1585
Top Up	-22,623	-22,623	-22,623	-22,623
Retained Non Domestic Rates	-14,942	-15,346	-15,346	-15,346
Amount to be raised from Council Tax	133,492	**139,706**	**142,485**	**142,485**
Council Tax at Band D	£1,522.72	**£1,598.70**	**£1,630.51**	**£1,630.51**
Increase in Council Tax (%)	3.99%	**4.99%**	**1.99%**	**0.00%**
Tax Base	87,667	87,387	87,387	87,387
Collection rate	98.00%	98.00%	98.00%	98.00%
Gross Tax Base	89,456	89,170	89,170	89,170

MTFS 2022/22 to 2023/24 – Proposed investments / savings

Technical Adjustments			
	2021/22	2022/23	2023/24
	£000	£000	£000
Capital and Investment			
2018/19 implications in 2021/22	1900		
Reversal of one off Regen MRP Provision used in 2020/21	1000		
MRP on Community projects and Property investment from 2019/20	1454		
Interest on Community projects and Property investment from 2019/20	967		
Capital Financing costs from additional Capital Programme		1250	
Capital Financing included as part of 2021/22 budget setting process			
Implications of Capital Programme agreed for 2020/21 to 2023/24	-2981	2981	470
Total Capital and Investment Changes	**2,340**	**4,231**	**470**
Grant Changes			0
Additional 2019 New Homes Bonus after settlement from prior years	535		
Additional New Homes Bonus for 2020/21	787		
Assumption that New Homes Bonus reduces in 2022/23		728	
Reversal of previous reductions in NHB assumed on the basis it continues	-782	-728	
Additional NHB over estimated sum (£3.185m v £3.176m estimated)	-9	9	
Reduction in Section 31 grant of £404k to offset increase in Retained Business rates	404		
Reversal of 'Use of 2019/20 Business Rates Pool Budget in 2020/21 budget	1800		
Additional Social Care grant announced in SR estimated figure	-326		
£1.55b grant to meet additional COVID expenditure (one off)	-6051	6051	
Income compensation for sales, fees and charges - 3 mth extension	-500	500	
Extra Multiplier grant	-477	477	
Council Tax Support Grant	-1,780	1780	
Lower Tier grant	-399	399	
Total Grant Changes	**-6,798**	**9,216**	**0**
Other Technical Changes			
Freedom Passes - estimated reduction in usage	**-1108**	**-1580**	**1377**
Use of Reserves			
Full use of the Budget Planning Reserve in 2020-21	2629		
Use of Business Risk Reserve smoothed over 2 years	1176	0	
Use of Business Risk Reserve for one off investment of £1m pa for 3 years	-1000	-1000	
One off Investment into front line priorities	1000	1000	
Use of Business Risk Reserve smoothed over 2 years	-3350	3350	
Budget planning reserve not applied in 20/21	0	0	
Business Risk Reserve - not applied in 20/21	0	0	
Children's social care reserve - no applied in 20/21	-852	852	
Adult Social Care Reserve	0	0	
£2m 20/21 target underspend - to be added to reserves in 2021/22	-2000	2000	
Total Other Technical Changes	**-3,505**	**4,622**	**1,377**
Pay and Inflation			
Pay Award @ 2% pa	2000	2000	
Pay Award @ 2.75% pa			2750
Non Pay Inflation/budget pressures	1100	2750	2000
Total Pay and Price Inflation	**3,100**	**4,750**	**4,750**
OTHER			
Gayton Road Income - Reversal of 72 units transferred to HRA	500		
Capital Receipts Flexibility - £2m applied in 2021/22	-2000	2000	
Adults Growth / Pressure	2344	2644	
Total Corporate & Technical	**-4,018**	**27,463**	**6,597**

MTFS 2021/22 to 2023/24 – Proposed investments / savings

People			
	2021/22	2022/23	2023/24
	£000	£000	£000
Children & Families			
Proposed Savings - Appendix 1B	-410	0	0
Proposed Growth - see appendix 1a	2004	1,205	0
Sub total Children & Families	1,594	1,205	0
Adults			
Proposed Growth - see appendix 1a	1787	1047	0
Proposed Growth - see appendix 1b	652	0	0
Sub total Adults	2,439	1,047	0
Total People Directorate	**4,033**	**2,252**	**0**

MTFS 2021/22 to 2023/24 – Proposed investments / savings

Community			
	2021/22	2022/23	2023/24
	£000	£000	£000
Proposed Savings - see appendix 1a	-250	-300	-600
Proposed Growth - see appendix 1a	8,838	-1,918	-1,499
Proposed Savings - see appendix 1b	-1,125	0	0
Proposed Growth - see appendix 1b	0	0	0
Total Community	**7,463**	**-2,218**	**-2,099**

MTFS 2021/22 to 2023/24 – Proposed investments / savings

Resources	**2021/22**	**2022/23**	**2023/24**
	£000	**£000**	**£000**
Proposed Savings - see appendix 1b	-1,934	0	0
Proposed Growth - see appendix 1b	493	678	0
Proposed Savings - see appendix 1a	-176	-177	0
Proposed Growth - see appendix 1a	234	0	0
Total Resources	**-1,383**	**501**	**0**

MTFS 2021/22 to 2023/24 – Proposed investments / savings

	2021/22	**2022/23**	**2023/24**
	£000	**£000**	**£000**
CORPORATE			
Proposed Savings - appendix 1a	1175	1475	600
Proposed Growth - appendix 1a	-118	0	0
Proposed Savings - see appendix 1b	-2,719	-2,222	0
Proposed Growth - see appendix 1b	244	0	0
Total Corporate	**-1,418**	**-747**	**600**

REVENUE BUDGET SUMMARY 2021-22						Appendix 3
	2020/21 Net Budget	Gross Controllable Expenditure	Gross Income	Net Controllable Expenditure	Uncontroll - able Expenditure	2021/22 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Local Demand - Borough Services						
Resources & Commercial	19,042	218,248	-181,632	36,616	-19,555	17,061
Environment & Commissioning	38,983	59,581	-33,115	26,466	20,357	46,823
Housing General Fund	7,736	11,730	-7,379	4,351	3,600	7,951
Regeneration	2,478	4,897	-3,859	1,038	1,172	2,210
Sub-total Community	49,197	76,208	-44,353	31,855	25,129	56,984
Adult Services	72,641	103,479	-31,891	71,588	5,694	77,282
Public Health	-1,704	9,336	-11,150	-1,814	1,770	-44
Children & Families	42,529	173,142	-137,725	35,417	8,991	44,408
Sub-total People	113,466	285,957	-180,766	105,191	16,455	121,646
Total Directorate Budgets	**181,705**	**580,413**	**-406,751**	**173,662**	**22,029**	**195,691**
Corporate And Technical Budgets						
Coroners Court	216					216
Freedom pass	0					-1,108
LPFA levy	297					297
Contribution to subsription	5					5
Car leasing	5					5
Corporate Democratic Core	1734					1,734
Levies,grants, subscriptions	269					269
External Audit Fees	191					191
London Borough Grant Committee	188					188
Apprenticship Levy	400					400
Pay Inflation	-					1,221
Employer's Pension Contribution	192					192
Other Corporate budget	33					245
Goods And Service Inflation	-					1,100
Treasury Management expenses	2,012					2,012
Capital Financing Cost	30,786					32,452
Capital Financing adjustments	-27,411					-27,082
Grant						
Sec.31 Grant Business Rate Reliefs	-2,904					-2,500
Income compensation for sales, fees and charges - 3 mth extension	-					-500
Use of 2019.20 Business Rate Pool in 2020/21	-1,800					-
Covid-19 pressures grant 2021/22	-					-6,051
New Homes Bonus	-3,716					-3,185
Lower Tier Grant 2021/22	-					-399
Council Tax Support Grant	-					-1,780
Multiplier Cap Funding - Continuation for 2020/21	-1,590					-2,067
Additional Adult Social care grant	-3,482					-3,808
Other Budget Adjustments						
Budget Planning Contingency	-2,629					-
Business Risk Reserve	-1,176					-3,350
Other Reserves						-2,852
Contingency - General	1,248					1,248
Litigation Budget	250					250
SEN Transport Growth/savings	789					-
SEN transformation savings	-400					-
Transformation savings						-1,000
Use of Capital Receipt Flexibility	-					-2,000
Gayton Road Income	-450					-594
Sub Total Corporate and Technical Adjustment	**-6,943**					**-16,251**
Funding Gap						
TOTAL BUDGET REQUIREMENT	**174,762**				**0**	**179,440**
BUDGET REQUIREMENT FUNDED BY						
Contribution re Collection Fund Deficit/Surplus(-) b/f	-2,120					-180
Revenue Support Grant	-1,585					-1,585
Business Rates Top-up Grant	-22,623					-22,623
Retained Business Rates	-14,942					-15,346
Council Tax Income	-133,492					-139,706
Total Funding	**-174,762**					**-179,440**
Council Tax for Band D Equivalent						
General (£)	1,395.64					1,425.94
ACS(£)	127.08					172.76
Harrow Increase (£)	1,522.72					1,598.70
GLA (£)	332.07					363.66
Total after Increase (£)	**1,854.79**					**1,962.36**
Increase						
General (%)	1.99%					1.99%
ASC (%)	2.00%					3.00%
GLA (%)	3.60%					9.51%
Total Increase (%)	**3.92%**					**5.80%**
Tax base	87,667					87,387
Collection Rate	98.00%					98.00%
Funds / Balances						
Balances Brought Forward	10,009					10,009
Balances Carried Forward	10,009					10,009

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Appendix 4

Levies, Contribution and Subscriptions 2021/22

The table below shows the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2021/22. These sums are set by other bodies and are outside the Council's control.

	2020/21	2021/22	Changes	Changes	Comments
	£'000	£'000	£'000	%	
London Borough Grant	187	187	-	0.00%	Based on notification
Freedom Pass Levy	9,883	8,591	- 1,292	-13.07%	Based on notification
Joint Committee Subscription	162	162	-	0.00%	Based on notification
Environment Agency Levy	200	200	-	0.00%	21/22 is not known. 21.22 is due around March.
Coroners Court Levy	226	226	-	0.00%	21/22 is not known. 21.22 is due around March.
Traffic Control Levy	295	295	-	0.00%	21/22 is not known. 21.22 is due around March.
London Pension Fund Authority Levy	296	296	-	0.00%	21/22 is not known. 21.22 is due around March.
West London Waste Authority Levy	2,054	2,000	- 54	-2.63%	2021-22 budget is based on WLWA's draft budget report for2021/22.
Lee Valley Levy	205	205	-	0.00%	21/22 is an estimate based on 19.20 notification, 20.21 is due around March.
Apprentice Levy	400	400	-	0.00%	Based on 0.5% of Salaries

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Policy on Use of Contingency

General Principles

1. As a general principle, directorate budgets should be structured to cover business as usual, investment and efficiency programmes that have been agreed as part of the budget and service planning round and administration priorities. Contingency budgets should not be included in financial planning as part of a service's annual operational revenue budget.

2. Budgets which are "demand led" should be set to deal with the forecast level of activity. For example the predicted client numbers and needs in Adults and Children's social care, the usual level of activity for planning appeals and winter gritting average weather conditions.

3. Income budgets should be set to take into account likely activity levels and any changes in fees and charges.

4. The contingency is there to deal with unforeseen/exceptional items which occur during the financial year.

Appropriate uses

5. It is recommended that the contingency is used for the following purposes:

    - To deal with demographic risk, where the number of clients or cost per client varies from the estimate in Children's or Adults services beyond what has been budgeted for.
    - To deal with unexpected increases in demand for services due to policy changes, for instance an increase in homelessness due to the housing benefit changes beyond what has been budgeted
    - To deal with seasonal risks, such as exceptionally bad weather or a flu pandemic
    - To deal with tonnage risk, where the number of tonnes disposed of via West Waste varies from the estimate in the Community Directorate
    - To deal with the consequences of a recession
    - To deal with major planning appeals and litigation
    - Cost pressures in relation to the services delivered jointly with Health partners
    - To deal with uncertainty due to consultation and equality impact on proposals
    - To deal with unexpected budget shortfalls due to changes in the external environment or changes in the law/regulations
    - To fund small one-off projects which are high priority and have the approval of the portfolio holder with responsibility for Finance.
    - Any other unforeseen items / pressures

Criteria

6. Clear evidence will be required to support variations from estimated demand agreed as part of the budget review process.

7. Contingency funds will not be used where there has been a failure to deliver planned savings (except where this is due to the outcome of consultation) or properly manage spending.

Approval Process

8. Use of the contingency will be reported to Cabinet as part of the quarterly budget monitoring report by the s151 officer. The s151 officer will liaise with the Portfolio Holder with responsibility for finance and make proposals to Cabinet for virements from Contingency as appropriate.

Unspent balances

9. If there is an under spend at the end of the year a contribution to general balances will be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.

School Budgets – Dedicated Schools Grant (DSG) 2021-22

Introduction

1. The Dedicated Schools Grant (DSG) is a ring fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in Harrow. It also funds Early Years nursery entitlement 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 including those with Education, Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Harrow and out of borough. The DSG is split into four blocks: Schools Block, Central School Services Block, Early Years Block and High Needs Block.

Funding Announcements Autumn 2019

2. In September 2019 the government announced an increased investment in school budgets and high needs for the next three years.

3. The per pupil value of all of the key factors have increased in the Schools National Funding Formula (NFF) by 3% with the exception of the Free School Meals factor which has increased by 2% in line with inflation. In addition, IDACI factors have increased between 2% and 10% to reflect the re-banding undertaken in 2019.

4. There is an additional approx. £11m in for school budgets available in 2021-22 however this includes £8m of other grants rolled into the funding formula that will no longer be paid separately. This means there is only a real cash increase of approx. £3m compared with 2020-21.

DSG Settlement 2021-22

5. The 2021-22 DSG settlement is based on the number of pupils on the October 2020 schools census for the Central School Services Block and Schools Block as well as a lump sum for historical items related to premises, the January 2020 Early Years census for the Early Years Block and a combination of a historical lump sum and per pupil funding for the High Needs Block. The total DSG allocation for 2021-22 is £239.59m.

Table 1 – 2021-22 Dedicated Schools Grant allocation

Blocks	**Unit of funding**		**Pupil numbers**		**Total**
	Primary	**Secondary**	**Primary**	**Secondary**	
Schools Block – per pupil	£4,559.49	£6,253.54	21,419.00	12,805.50	£177,739,423
Schools Block – lump sum premises					£2,730,395
Schools Block – growth fund formula					£1,268,468
Total Schools Block					**£181,738,286**
Central Schools Block					£1,387,804

High Needs Block (after import/export adjustments & recoupment)	£37,024,161
Early Years Block	£19,441,547
Total Dedicated Schools Grant Allocation 2021-22	**£239,591,798**

6. In 2018-19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and Central Services Blocks. For the Schools block this means that LAs are funded on the basis of the total of the NFF for all schools, academies and free schools in its areas but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forum.

7. From 2020 the government had intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However, this has been delayed and there is currently no confirmed date for this.

8. In 2018-19 the LA implemented the NFF after consultation with schools and Schools Forum. Whilst there are no proposed changes to the structure of the formula for 2021-22, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2020-21

Factor	**2021-22 funding formula and factor values**	
	Primary per pupil	**Secondary per pupil**
Primary per pupil basic entitlement	£3,429.15	
KS3 per pupil basic entitlement		£4,835.72
KS4 per pupil basic entitlement		£5,449.52
Free School Meals	£505.09	£505.09
Free School Meals Ever6	£631.37	£922.35
Deprivation IDACIF	£236.08	£340.39
Deprivation IDACIE	£285.49	£455.68
Deprivation IDACID	£450.19	£636.86
Deprivation IDACIC	£488.62	£691.76
Deprivation IDACIB	£521.56	£746.66
Deprivation IDACIA	£680.78	£949.80
Low Prior Attainment	£1,202.34	£1,822.73
English as an Additional Language	£603.92	£1,630.57
Mobility	£988.23	£1,416.46
Lump Sum	£129,347.93	£129,347.93

Consultation

9. The LA undertook a consultation with all schools, academies and free schools in Harrow seek views the value of the minimum funding guarantee

10. There were a total of 29 (54%) responses received.

Minimum Funding Guarantee

11. In 2021-22 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the second year the LA will be required to set a positive MFG meaning schools will see an increase in their per pupil budgets between years. The MFG must be between +0.5% and +2.0%.

12. In the previous financial years Schools Forum agreed to set a negative MFG at -1.5% in order that schools reach the NFF as soon as possible so as to ensure there won't be significant losses if the MFG protection is no longer applied in future years.

13. In the consultation 100% (10) schools supported a maximum MFG of 2% subject to affordability within the overall formula. Schools Forum voted in agreement of this.

14. In the overall formula it is affordable to set the maximum MFG and therefore 2021-22 school budgets have been prepared on this basis. Gains in excess of 2% have not been capped, which is consistent with the approach in previous years.

Teachers' Pay Grant (TPG) and Teacher's Pension Employer Contribution Grants (TPECG)

15. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund for LAs, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.

16. In addition to the 3% general inflationary amount added to each formula factor a further £180 has been added to the primary basic entitlement factor and £265 to each of the KS3 and KS4 basic entitlement factors. This funding (plus the Area Cost Adjustment) is equivalent to the funding received in the TPG and TPECGs for September 2018 and September 2019 pay awards. No further funding will be allocated for pay changes in September 2020 or beyond.

17. Therefore, despite an additional approx. £11m of funding in the NFF for 2021-22 nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Income Deprivation Affecting Children Index (IDACI)

18. The IDACI dataset has been updated in 2019 so that the IDACI bands are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.

19. As set out at Appendix B nearly all schools will lose funding as a result of this change. In order to compensate slightly some of the factor values have increased above the 3% generic inflation but this still does not mitigate the overall losses.

20. The impact of the banding changes is that is that more pupils are in Band G which is the least deprived band and attracts no funding and more are in Band F which attracts the lowest rate of funding.

Additional Funding

21. In 2021-22 School Forum voted to allocate £632k funding from its brought forward contingency to support school budgets in 2021-22. This funding is one off as it is built up from historical underspends and has been distributed on a per pupil basis with differential rates for Primary, Key Stage 3 and Key Stage 4 pupils, which mirrors the NFF.

High Needs Block

22. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block (HNB) of the DSG:
    - Harrow special schools and academies
    - Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
    - Places in out of borough special schools and independent school provision
    - EHCPs in mainstream schools and academies
    - Post 16 provision including further education
    - SEND Support services and support for inclusion
    - Alternative Provision including Pupil Referral Units and education other than at school

23. There is a duty to admit a child or young person if the institution is named in a statutory EHCP. LAs use the HNB to provide the most appropriate support package for an individual in a range of settings, taking account of parental and student choice whilst avoiding perverse incentives to over-identify high needs pupils and students.

24. The government introduced a NFF for the HNB from 2018-19. This has led to a shortfall in funding compared with the 2017-18 baseline of approx. £2.9m. This was because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency.

25. In addition, between 2013-21 there has been an increase in HNB funding of £9.4m (39%) compared with an increase in HNB spend of £12.5m (51%) and an increase in the number of EHCPs from 1,170 in January 2014 to nearly 2,000 by January 2021 (71%).

26. The HNB budget allocation for 2021-22 is set out at Table 3

Table 3 – 2021-22 High Needs Block Funding

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£36,656,775
Basic Entitlement Factor (excl TPG/TPECG)	£2,643,647
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,620,000
Additional Funding for Special Free Schools	£12,000

Hospital Education	£197,092
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	**£38,456,160**
Academy recoupment for SEN units, special schools and FE	-£1,432,000
Net High Needs Block 2020-21	**£37,024,160**

27. It should be noted that the import/export adjustment figure will be updated in June 2021 to reflect the January census.

28. As with the mainstream schools, the TPG/TPECG for special schools has also been rolled into the HNB funding formula and included in the basic entitlement. This totals £436k and is required to be passported to special schools. In addition, a further £130k lump sum has been added to the HNB for TPG/TPECG related to Alternative Provision settings and INMSS. Again, this must be passported to providers.

29. In 2021-22, not including the £566k of TPG/TPECG rolled into the HNB there is an increase in funding of approx. £2.9m. This will contribute to the increasing shortfall in funding provided for the HNB and mitigate some of the estimated £6m deficit projected for March 2021 but does not allow for growth in demand for increased numbers and complexity of need.

30. The additional HNB is welcomed although the pressure on the High Needs Block in 2020-21 is £6m and this is projected to continue and to grow as growth in demand continues and the LA becomes even more reliant on expensive out of borough provision.

DSG Deficits

31. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves.

32. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.

33. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2020-21 compared with the deficit shown it he authority's published draft accounts.

34. Harrow's projected cumulative deficit of £6m as a proportion of gross budget of £225m would equate to approx. 2.7% and will therefore require a deficit recovery plan.

35. An initial Deficit Recovery Plan has been discussed with Schools Forum. This requires further work and needs to take into account delays due to Covid-19.

36. This means that the LA will start 2021-22 with a brought forward deficit of approx. £6m. The additional investment in the HNB from 2021-22 will therefore only contribute to offsetting existing deficits.

Early Years Block

37. The government introduced a new National Funding Formula for Early Years from April 2017.

3 & 4 year old funding

38. The key points on LA funding of providers are that local authorities:

- Continue to set a single funding rate for both entitlements for three and four year olds (that is, both the universal 15 hours and the additional 15 hours for working parents).
- Must plan to spend at least 95% of the three and four year old funding on the delivery of the entitlements. We intend to continue to pass on 95% of the 3 & 4 year old funding to settings.
- Harrow provides a universal base rate for all types of provider in the formula.
- Must use a deprivation supplement in the funding formula
- Must not channel more than 10% of funding through funding supplements.
- Must provide a SEN Inclusion Fund (SENIF) for three and four year olds.
- Must pass on Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) in full to providers for eligible three and four year olds.

39. Harrow has already implemented all of the above principles in its EYSFF.

40. In 2020-21 the hourly rate per pupil that the LA receives will increase by £0.06.

41. It is proposed to distribute the additional funding through the existing formula structure and proportionately increasing each supplement.

Table 4 – indicative 2021-22 EYSFF

Description	**2021-22**		
	Hourly	**Pupils**	**Total**
Total Early Years Block	£5.72	5,404.19	£17,619,821
5% LA Early Years Service Retention			£880,991
Funding available to providers	£5.43		£16,738,830
Top-slice SEN inclusion fund 5%			£836,942
Funding available to providers through formula			**£15,901,889**

Base rate minimum 90%	£4.65	£12,932,214
Supplements up to 10%	£0.51	£1,424,768
Funding available to providers through formula	**£5.16**	**£14,356,982**

2 year old funding

42. There is also a rate increase for the funding for 2 year olds. This will increase from £6.00 to £6.08 per hour from April 2021.

SEND Inclusion

43. LAs are required to have SEND Inclusion Funds for all 3 and 4 year olds with SEND who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support LAs to work with providers to address the individual needs of children with SEND.

44. LAs should target SEND Inclusion Funds at children with lower level or emerging SEND. As with other elements of early years funding, SEND Inclusion Funds should apply to children attending settings in the relevant LA area, regardless of where they live.

45. The SEND Inclusion Fund in 2021-22 will be £837k.

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Public Health Grant Funding 2021-22 **Appendix 7**

Mandatory Services	£000	
Sexual Health (incl Family Planning)	2,192	
0-19 Services	3,838	
Health Checks	176	
		6,206
Discretionary Services		
Tobacco Control	73	
Drug & Alcohol Misuse	1,858	
Physical Activity	30	
		1,961
Staffing & Support Costs		
Staffing	804	
Non-Staffing	59	
Overheads	163	
		1,026
Health Improvement	306	
Wider Determinants of Health	1,651	
		1,957
Total Expenditure		**11,150**
Funded by		
Department of Health Grant	-11,150	
Total Income		**-11,150**

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Appendix 8

Reserves Policy

<table><tr><td>The recommended reserves policy is as follows:

The first call on any under spend at the end of the year will be to add to reserves. A contribution to general balances will then be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.</td></tr></table>

The rationale for this policy is set out below.

Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditor, it is not their responsibility to prescribe the appropriate level. However, the External Auditor expects the Council to review its reserves on an annual basis.

There is no statutory definition of a minimum level of reserves. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding these balances.
The Council should at least be able to cope with a modest overspend in any one year and still be in a stable financial position.

The target level of reserves depends on:

- The degree of risk contained in the budget
- The effectiveness of budget monitoring and control during the year
- The effectiveness of balance sheet management during the year
- The extent to which the Council has earmarked reserves and provisions to deal with specific items.

The Council is continually working to improve financial management and in 2020/21 will continue to focus on accurate and robust management of its revenue and capital monitoring and, considering the level of savings built into the budget, an increased emphasis will be placed on the delivery of in-year savings and the delivery of new savings proposals.

The Council has built up more appropriate annual contributions to provisions for debt, litigation and insurance in the last few years, and strengthened its balance sheet, but still has limited earmarked reserves and general fund balances.

There is greater risk as central government grant settlements continue to reduce the level of revenue support grant given to the Authority requiring large savings to be built into the budget over a prolonged and continuous period of time.

As at 31 March 2021 the level of General Fund Reserve will be £10m, which represents 5.6% of the Council's budget requirement for 2021/22 (£179m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves and non earmarked as detailed in Appendix 9.

A decision will be made at year end on the best use of any available capacity.

The S151 officer has responsibility for the establishment of earmarked reserves. The S151 officer is responsible for ensuring that detailed controls are established for the creation of new reserves and provisions and any disbursements therefrom.

All contributions to, and appropriations from, General Fund reserves must be approved by the Portfolio Holder with Responsibility for Finance, subject to any limitations set by the Council in the approved budget framework.

Reserves Forecast 2020/21 to 2021/22 **Appendix 9**

Description	Balance Brough Forward 1/4/2020	Addition to Reserves 2020-21	Directorates Draw Down From Reserves	Corporate Draw Down From Reserves	Balance Carry Forward 31/03/2021	Reserves Committed to future MTFS	Total Uncommitted Reserves
CIL Harrow	-7,787,893				-7,787,893		-7,787,893
Revenue Grant Reserve	-4,795,864	-112,000	61,000		-4,846,864		-4,846,864
Compensatory Added Year Reserve	-322,782			80,000	-242,782		-242,782
Business Pool Reserve	-1,800,000			1,800,000	0		0
PFI Schools Sinking Fund	-2,371,579				-2,371,579		-2,371,579
Public Health Reserve	-1,847,250				-1,847,250		-1,847,250
PFI NRC Sinking Fund	-1,665,557				-1,665,557		-1,665,557
Legal Services Contingency	-1,054,339		390,000		-664,339		-664,339
Legal Expansion Reserve	-418,639				-418,639		-418,639
HRA Transformation Reserve	-421,551				-421,551		-421,551
Carryforward Reserve	-3,223,305				-3,223,305		-3,223,305
IT Reserve	-250,000	-18,000	134,000		-134,000		-134,000
Borough Election	-242,747				-242,747		-242,747
Harvist Reserve Harrow Share	-36,135				-36,135		-36,135
Proceeds Of Crime Reserve	-63,000				-63,000		-63,000
Proceeds Of Crime Reserve Planning	-326,550				-326,550		-326,550
Headstone Manor Reserve	-287,750				-287,750		-287,750
CIL Mayor	-223,560				-223,560		-223,560
Libraries Reserve	-150,000				-150,000		-150,000
Vehicle Fund	-774,478				-774,478		-774,478
Investment Property Reserve	-206,875				-206,875		-206,875
DSG Overspend	2,944,000				2,944,000		2,944,000
HRA Hardship Fund	-172,513				-172,513		-172,513
HRA Regeneration Reserve	-25,000				-25,000		-25,000
HRA Repair Reserve	-163,756				-163,756		-163,756
Total Earmarked Reserves	**-25,687,123**	**-130,000**	**585,000**	**1,880,000**	**-23,352,123**	**0**	**-23,352,123**
Business Risk Reserve	-7,526,000		402,000		-7,124,000	4,350,000	-2,774,000
Budget Planning Reserve	-2,628,689				-2,628,689		-2,628,689
Children's Social Care Reserve	-2,286,000				-2,286,000	2,186,000	-100,000
Capacity Build/ Transformation Reserve	-3,221,091		1,964,000		-1,257,091		-1,257,091
MTFS Implementation Reserve	-1,775,209				-1,775,209	349,683	-1,425,526
Commercialisation Reserve	-1,264,773				-1,264,773		-1,264,773
Total Non-Earmarked Reserves	**-18,701,762**	**0**	**2,366,000**	**0**	**-16,335,762**	**6,885,683**	**-9,450,079**
Total non General Fund Reserves	**-44,388,885**	**-130,000**	**2,951,000**	**1,880,000**	**-39,687,885**	**6,885,683**	**-32,802,202**
General Fund Reserves	**-10,000,000**				**-10,000,000**		**-10,000,000**

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Report of the Chief Finance Officer – 2021/22 Budget

Under the Local Government Act 2003 the Director of Finance (in their capacity as the Chief Finance Officer under S151 of the Local Government Act 1972) is required to comment on the robustness of the budget and the adequacy of reserves. The Directors report is set out below.

Robustness of the Budget

The current budget climate and timeframe continues to be the most volatile in the Borough's history. With Local Government being at the forefront of the response to both the public health and economic crises caused by Covid-19, it is hardly surprising that the pandemic has had a significant impact on Local Government finances which were already in a difficult position following a decade where resources have been reduced by over a quarter. Running alongside this, Harrow remains one of the lowest funded Councils both within London and nationally and has had to make significant savings for the last 9 years to achieve the legal requirement of a balanced budget.

Until the summer of 2020 the indication from government was still an intention to set a three-year revenue settlement after representations from the sector of the challenges managing temporary funding over the medium and longer term for budget planning and sustainability purposes. After the cancellation of the Autumn Budget, confirmation was finally received that Spending Review 20 would be a one-off settlement only for 2021/22. There are significant areas of uncertainty around the future of Local Government funding beyond 2021/22, with a direct impact on Harrow finances, with the outcome of major events unknown:

- Spending Review 2020
- Fair Funding Review
- Business Rates Reform and Revaluation
- The Adult Social Care Green Paper
- The High Needs Block within the Dedicated Schools Grant

This list of unknowns is extended as a result of the Covid-19 pandemic:

- The legacy impact of the pandemic and the long-term impact on income and expenditure budgets beyond central government support
- The role of Local Government in the economic recovery of the Borough
- The impact of the end of the Furlough Scheme both on residents and businesses
- The new phrase 'levelling up' between the regions

At the time of writing this report there is little tangible information on the unknown events listed above increasing the risk around making budget planning and financial sustainability over the short and medium term.

The Council continues to experience increasing demographic and demand pressures, largely around social care. In prior years such pressures have been largely related to Adults services. However, from 2021/22 pressures are starting to emerge in Children's social care with growth being required in the budget for both 2021/22 and 2022/23. In Adult services, the forecast demand pressures continue to be far in excess of what funding is provided through additional direct grant and income generated through the Adults Social Care precept requiring the Council to make savings elsewhere or call upon reserves.

In the wider economy there remains considerable uncertainty around the impact of Brexit, inflation, interest rates, the property market, employment levels and the impact of the economic climate. All these issues affect the Council's own finances and have major implications for Harrow residents and businesses increasing uncertainty and may result in additional demand on services.

The Council has set a three-year Medium Term Financial Strategy to 2023/24 but, due to uncertainties, has only achieved a balanced budget for 2021/22 and a budget gap of £29.7m remains over years 2 and 3 of the MTFS. The position on the MTFS has moved little between the draft and final budget. The Council could have embarked on a drastic programme of cuts to address the budget gap and this was not considered wise alongside the challenges posed by the Covid-10 pandemic. However, the position of the MTFS cannot be ignored and the advice of the S151 Officer is detailed later in this report to ensure financial sustainability.

The advice of the S151 Officer is that the budget for 2021/22 is sufficiently robust but there are significant budget gaps for 2022/23 and 2023/24 which require robust and sustainable proposals to address. Specifically, in relation to the 2020/21 budget, the robustness assessment is provided following the consideration of several factors:

- The 2021/22 budget includes a much-reduced level of savings compared to previous years which will be easier to manage alongside managing the legacy impacts of the Covid-19 pandemic. However, those saving proposals built into the budget must be delivered in full and on time. Any variances from the agreed saving must be reported and mitigated in full.
- Growth requirements have been scrutinised in detail to ensure growth is enough to ensure the safe delivery of services but being mindful of the challenging financial position.
- However, growth requirements will be monitored closely to ensure the provisions are enough and any over provision will be held corporately to support the MTFS.
- The financial impact of the Covid-19 pandemic has been closely tracked throughout 2020/21 to ensure, as far as possible, the impact into 2021/22 can be assessed and provided for but his will remain under review.
- Every effort has been made to ensure that the technical assumptions underpinning the budget are robust.
- Prudent assumptions have been made about capital financing costs and investment income.
- Key financial risks are managed and reported as part of the Corporate Risk Register.
- The recommended increases in fees and charges are in line with the assumptions in the budget.
- The budget for 2020/21 includes a general contingency of £1.248m.
- There is a commitment within the organisation to robust financial management with any potential adverse budget variations been reported, tightly controlled and contained within service budgets unless there is an agreement the variation is managed pan organisation.
- There is a commitment within the organisation to ensure all new budget proposals are supported by a robust business case that has been scrutinised pan organisation and, unless specifically stated, makes a clear net financial contribution to the MTFS after considering all costs.

Adequacy of General Reserves, Ear marked Reserves, and Contingencies

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of the S151 Officer. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding those balances. Reserves can only be spent once and should ideally only be used to support one off expenditure or to allow time for management actions to be implemented. The general fund balances are adequate however they must not drop below the £10m level and no allocations can be made unless already planned and there are no such plans.

The Council holds £42.802m in reserve:

General Fund Reserve £10m - which represents the balance of last resort in the event of any major and unforeseen event that compromises the delivery of the council's budget. At current levels, this balance represents 5.6% of the council's budget requirement for 2021/22 (£179m). This balance of £10m does place Harrow Council in the lower quartile of general fund balance when benchmarked with other authorities. No draw down on the general fund balance is forecast for 2021/22 and the three-year MTFS (2021/22 to 2023/24) does not rely upon general fund balances being applied.

Ear Marked Reserve £23.352m- ear marked to specific items. Within this reserve there is £1.969m which is ear marked to Adults Social Care and can be called upon to support the revenue account if demand pressures exceed the additional growth provided for in the 2021/22 budget.

Non ear marked reserve of £9.45m – several individual reserves make up this balance and for 2021/22. £500k will be transferred into two ear marked reserves for Equality, Diversity and Inclusion (£250k) and London Living Wage (£250k). The balance will be transferred into one single Budget Risk reserve.

The 2021/22 budget still includes the ongoing revenue contingency of £1.248m for unforeseen items.

In conclusion, the 2021/22 has been prepared as robustly as possible to achieve a balanced position. It is accepted that years 2 and 3 of the MTFS are an estimate and there is much uncertainty surrounding the ongoing impact of the pandemic, further government support and what Spending Review 21 will bring. Therefore, whilst it is not unrealistic that the indicative future budget gaps have the potential to reduce, the budget shortfall for 2022/23 and 2023/24 is £29.7m which far exceeds the level of general fund and non-ear marked reserve. Therefore the Council must have a strategy in place to tackle its financial challenges and, for this reason, it is the advice of the S151 Officer that the Council must develop a fully costed budget and implementation plan, ready to bring to Cabinet in summer / autumn ready to feed into the budget setting process for 2022/23. This plan must have a minimum value of £10m.

Budget Monitoring

The Local Government Act 2003 also introduced requirements in relation to budget monitoring and management action. The Council has robust budget monitoring procedures in place with revenue budgets being monitored monthly and the capital programme quarterly. The financial position can change relatively quickly, and any adverse variations must be identified and addressed promptly by Service Managers and directorates to avoid a call on reserves. Financial performance is reported in detail to Cabinet quarterly and regularly to Scrutiny. These robust arrangements will continue into 2021/22 and will remain under review to ensure they keep pace with the requirements of the organisation.

Appendix 11

Model Council Tax Resolution

Harrow Council

Council Tax Resolution 2021/2022

To approve as part of the Summons for Council, the model budget and Council Tax resolutions reflecting the recommendations of Cabinet and the GLA precept.

Council is requested to determine the level of the Council Tax for 2021/2022 in the light of the information on the precept and make the calculations set out in the resolution shown below.

(1) To note that at its meeting on 17 December 2020 the Council calculated the amount of 87,387 as its Council Tax Base for the year 2021/2022 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) England Regulations 2012 made under Section 31B(1), (3) – (5) of LGFA 1992 of the Local Government Finance Act 1992 (The Act).

(2) That the following amounts be now calculated by the Council for the year 2020/2021, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:

(i)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act. ***(Gross expenditure)***	£607,074,597
(ii)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act. ***(Gross income including use of reserves***)	£467,369,000
(iii)	Being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, **as its Council Tax Requirement for the year.**	£139,705,597
(iv)	Being the amount at (iii) divided by the Council Tax Base, calculated by the Council at its meeting on 17 December 2020 in accordance with Section 31B(1) of the Local Government Finance Act 1992, as the basic amount of its Council tax for the year. ***(The average Band D Council Tax)***	£1,598.70

(v) Valuation Bands

	A	B	C	D	E	F	G	H
£	1,065.80	1,243.43	1,421.07	1,598.70	1,953.97	2,309.23	2,664.50	3,197.40

Being the amounts given by multiplying the amount at (iv.) above by the number which, in the proportion set out in Section 5(1) of the Local Government Finance Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Local Government Finance Act 1992, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(3) That it be noted that for 2021/2022 the Greater London Authority stated the following amount in precept issued to the Council, in accordance with section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	242.44	282.85	323.25	363.66	444.47	525.29	606.10	727.32

(4) That, having calculated the aggregate in each case of the amounts at (2)(v) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2021/2022 for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	1,308.24	1,526.28	1,744.32	1,962.36	2,398.44	2,834.52	3,270.60	3,924.72

(5) Determine for the purposes of 52ZB and Section 52ZC of the Local Government Finance Act that the Council’s basic amount of Council Tax for 2021/22 is not excessive in accordance with the principles approved under Section 52ZB and 52ZC of the Local Government Finance Act 1992 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2021/2022.

Members' Allowances Scheme

1. This scheme shall have effect until 31st March 2022. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £8,561 per annum shall be paid to each Councillor.

Special Responsibility Allowances and Mayoral Allowances

3. (1) A special responsibility allowance shall be paid to those Councillors who have the special responsibilities in relation to the posts specified in Schedule 1 to this scheme. The amount of each such allowance shall be the amount specified against that special responsibility in that schedule.

(2) An allowance of £10,685 per annum shall be paid to the Mayor and an allowance of £2,127 per annum shall be paid to the Deputy Mayor.

(3) No Member may receive special responsibility allowances in respect of more than one post. For the purposes of this paragraph, the mayoral allowances referred to in 3(2) above are considered to be special responsibility allowances.

Uprating the Basic and Special Responsibility Allowances

4. The basic allowance and special responsibility allowances may be uprated annually in line with an index approved by the London Councils Independent Panel. The index to be used will be the level of the Local Government Pay Settlement. When making the scheme for 2022/23, the indexing arrangements will be reviewed.

Travel and Subsistence Allowances

5. The reimbursement of travel and subsistence expenses incurred in respect of **approved duties** (as set out in Schedule 2) **undertaken outside the Borough boundaries** can be claimed by Members, co-optees to formal Council committees and Independent Members of the Governance, Audit, Risk Management and Standards Committee at the rates paid and on the conditions specified in the officer scheme for travel and subsistence allowances.

Carers' Allowance

6. (1) The allowance shall only be paid for attendance at approved duties as listed in Appendix A.

(2) The maximum basic rate of pay is £2.96 per half hour for the duration of the meeting together with the Member's travel time between home and the place of the meeting and the carer's reasonable travelling time.

(3) The allowance is claimable in respect of children aged 15 or under or where a professional carer is required to meet a specialist need (eg a nurse for an elderly person).

(4) Actual costs will be paid on production of an invoice or receipt.

(5) Where the length of the meeting cannot be predicted and payment to the carer is necessarily contractually committed then a payment of up to 4 hours will be made. (For day time quasi-judicial meetings, payment of up to 8 hours may be made if the estimated length of the meeting is for the whole day).

(6) In addition, the reasonable travelling expenses of the person taking care of the dependent shall be reimbursed either at the appropriate public transport rate, or in cases of urgency or where no public transport is available, the amount of any taxi fare actually paid.

(7) The allowance is not to be paid where the carer is a member of the Member's household.

(8) Any dispute as to the entitlement and any allegation of abuse should be referred to the Governance, Audit, Risk Management and Standards Committee for adjudication.

Co-optees' Allowance

7. A basic allowance of £454 per annum shall be paid to co-optees to formal Council Committees and Independent Members of the Governance, Audit, Risk Management and Standards Committee.

Sickness, maternity and paternity leave

8.1 All Members shall continue to receive their Basic Allowance in full in the case of pregnancy, maternity, paternity and sickness leave.

8.2 Members entitled to a Special Responsibility Allowance shall continue to receive their allowance in the case of pregnancy, maternity, paternity and sickness leave in the same way that the Council's employees receive such benefits.

8.3 Where a Member's pregnancy renders her unable to attend a meeting of the Council for a period of 6 months, a dispensation will be granted in accordance with Section 85 Local Government Act 1972.

8.4 If a replacement to cover the period of absence is appointed by Council or the Leader of the Executive (or in the case of party group position, the party group) the replacement will be entitled to claim an SRA.

Claims and Payments

9. (1) A claim for allowances or expenses under this scheme shall be made in writing within two months of the date of undertaking the duty in respect of which the entitlement to the allowance or expense relates.

(2) Payment shall be made

(a) in respect of basic and special responsibility allowances, in instalments of one-twelfth of the amount specified in this scheme each month;

(b) in respect of out-borough travel and subsistence expenses and Carers' Allowance, each month in respect of claims received up to one month before that date.

Backdating

10. Any changes made to this scheme during the year may be backdated to 1st April 2021 by resolution of the Council when approving the amendment.

Pensions

11. Allowances paid under the Harrow Members' Allowances Scheme will **not** be pensionable for the purposes of the Superannuation Act.

Renunciation

12. A person may, by notice in writing given to the Director of Legal and Governance Services, elect to forgo any part of his/her entitlement to an allowance under this scheme.

Appendix A

Approved duties for Carers' Allowance

- A meeting of the Executive.
- A meeting of a committee of the Executive.
- A meeting of the Authority.
- A meeting of a Committee or Sub-Committee of the Authority.
- A meeting of some other body to which the Authority make appointments or nominations.
- A meeting of a committee or sub-committee of a body to which the Authority make appointments or nominations.
- A meeting which has **both** been authorised by the Authority, a committee, or sub-committee of the Authority or a joint committee of the Authority and one or more other authorities, or a sub-committee of a joint committee **and** to which representatives of more than one political group have been invited (if the Authority is divided into several political groups) or to which two or more councillors have been invited (if the authority is not divided into political groups).
- A meeting of a Local Authority association of which the Authority is a member.
- Duties undertaken on behalf of the Authority in pursuance of any Procedural Rule of the Constitution requiring a member or members to be present while tender documents are opened.
- Duties undertaken on behalf of the Authority in connection with the discharge of any function of the Authority conferred by or under any enactment and empowering or requiring the Authority to inspect or authorise the inspection of premises.
- Duties undertaken on behalf of the Authority in connection with arrangements made by the authority for the attendance of pupils at a school approved for the purposes of section 342 of the Education Act 1996.

Schedule 1

Special Responsibility Allowances (SRAs)

There are 6 bands of SRAs:

Band	Post	SRA - £/annum
1	Chief Whips of the two largest Groups Deputy Leader of the second largest Group Lead Members for Scrutiny Chair of Licensing and General Purposes Committee Portfolio Holder Assistants	**£2,142**
2	Nominated Member of the party not holding the Chair of the Planning Committee Chair of the Traffic Advisory Panel Chair of Governance, Audit, Risk Management and Standards Committee Chair of the Pension Fund Committee Chair of the Performance and Finance Scrutiny Sub Chair of the Health and Social Care Scrutiny Sub Nominated Member of the largest party not holding the Chair of the Performance and Finance Scrutiny Sub	**£4,794**
3	Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee Non Executive Members of Cabinet	**£6,916**
4	Chair of the Overview and Scrutiny Committee Leader of the Second Largest Group	**£9,037**
5	Cabinet Members	**£20,502**
6	Leader of the Council	**£32,028**

Note

The Groups are as follows:-

Largest Group = Labour Group
Minority Group = Conservative Group

Schedule 2

Claims for Out-Of-Borough Travel and Subsistence Expenses

Duties Undertaken Out-of-Borough

Claims for travel and subsistence expenses incurred can normally only be paid in respect of approved duties undertaken at venues out of the Borough. Expenses will be reimbursed at the rates paid and on the conditions specified in the officer scheme for travel and subsistence allowances.

1. Members may claim travel and subsistence expenses in respect of the following **out-of-Borough** duties:-

   (a) Attendance at any meeting which may be convened by the Authority provided that Members of at least two groups are invited and the meeting is not convened by officers.

   (b) Attendance at a meeting of an outside body to which the Member has been appointed or nominated as a representative of the Council, where the Outside Body does not itself operate a scheme to reimburse travel and subsistence expenses.

   (c) (i) attendance at an appropriate out-of-Borough conference, seminar, meeting or other appropriate non-political event as a representative of an Outside Body to which that Member has been either nominated or appointed by Council to serve in a role with a specific pan-Authority remit;

   (ii) attendance at meetings in the capacity of a direct appointee of a Local Authority Association, joint or statutory body or other London-wide or national body subject to the following proviso:

   that the Member serves on the appointing body by virtue of an appointment made by Council to an authorised Outside Body;

   subject in either case to the Outside Body/Bodies concerned themselves not making provision for any travel and subsistence expenses necessarily incurred.

   (d) Attendance at a meeting of any association of local authorities of which the Authority is a member and to which the Member has been appointed as a representative.

(e) Attendance at a training session, conference, seminar or other non-political event, the attendance fees for which are being funded by the Council through a Departmental or a corporate budget.

(f) Attendance at any training session, conference, seminar or other non-political event for which there is either no attendance fee or any attendance fee is being met by the Member him/herself (or from the relevant political group secretariat budget) subject to the relevant Director confirming that the content of the training, conference, seminar or event is relevant to the Member's responsibilities in respect of the services provided by the Authority or to the management of the Authority.

2. Duties for which out-of-Borough travel and subsistence expenses may **not** be claimed include:-

(a) Political meetings or events.

(b) Any meetings of 'Outside Bodies' to which the Member has not been appointed or nominated by the Council as its representative.

(c) Meetings of the Governing Bodies of Schools.

HARROW COUNCIL PAY POLICY STATEMENT 2021/22

Harrow Council supports openness and accountability and is pleased to publish its Pay Policy Statement for 2020/21. In compliance with the Localism Act 2011 this statement outlines the Council's policy on pay and benefits for Council employees (excluding Schools)[1] and specifically for its Chief Officers and senior management.

This pay policy is reviewed annually and agreed at Full Council.

Updates December 2020:

Annual Pay award
Pay scales are reviewed annually in line with the National Joint Council agreements and are usually effective from April 1st each year. A settlement agreement of the NJC and GLPC national annual pay award was reached and a 2.75% increase was implemented in September 2020 backdated to 1 April 2020.

London Living Wage update
Harrow Council's lowest paid employees are currently paid at £10.89 per hour from April 2020. The London Living Wage is £10.75 in 2020. Harrow Council increased the first point of scale on the its lowest salary to the London Living Wage during the implementation of a collective bargaining agreement in 2013. There was a temporary hiatus in the payment of the LLW in 2014, when due to financial constraints in local government Harrow Council adopted a pay freeze.
Since 2015, Harrow resumed increasing the lowest point on its salary scales to meet the London Living Wage and has continued to pay the London Living wage consistently to date. Harrow is currently seeking accreditation to acknowledge the payment of the London Living Wage to staff at the bottom of the scale.

The Restriction of Public Sector Exit Payments Regulations 2020
Legislation has been introduced to cap exit payments of public sector workers at a maximum amount of £95,000 from 4 November 2020.

Context

The Council's vision is: 'Working Together to Make a Difference for Harrow' and is focusing on supporting delivery of the Council's work on the Borough Plan and the "Modernising How we Work" transformation programme. To achieve the ambitions we need a commercially minded and agile workforce delivering higher productivity and increased performance at a lower cost base.

We need to be a modern and efficient Council, able to meet the challenges ahead. In order to help protect frontline services we will continue to deliver support functions in the most cost - effective way, improving working between services within the Council and continuing to collaborate with regional bodies and other local authorities where there are opportunities to. We will protect people and Council assets from risks and retain our customer services in Harrow where possible, modernising and simplifying the access channels to the Council, making more services available online and therefore accessible on a more '24/7' basis.

[1] The Pay Accountability provisions of the Localism Act 2011 do not apply to staff employed in Schools

Our Workforce Strategy reflects that the Council of the future may be very different and having the right people *engaged* with the Council will be vital for our future success. We already compete for people across London and this will increase as the needs of the organisation change and the search for talent in local government increases.

We will establish the people we want, the skills they need and the performance we require and develop recruitment and retention packages that maximise our employment offers. We work to have the right people in the right jobs, who are well managed, developed and supported and where everyone is valued. Our Pay Policy supports this by ensuring that fair and transparent processes are in place to determine the grading and pay for all jobs and that remuneration packages enable the attraction and retention of people with the skills we need. We will also look to create opportunities for staff to benefit through organisational change.

As a Council we are committed to ensuring equality and diversity is integral to everything we do so our Pay Policy seeks to reduce income inequality and ensure that the pay, terms and conditions of Council employees comply with the Council's duties under the Equality Act 2010 The Council recognises that a significant proportion of our workforce lives locally and that therefore our Pay Policy helps support a strong local economy.

Modernising Terms & Conditions Review 2011/12

In 2011/12 the Council undertook a review of pay and terms and conditions for employees and in 2012 the Council reached a collective agreement with the relevant recognised trade unions, which established new pay and terms and conditions for all employees covered by this Pay Policy, including those of senior management, from January 2013.

The collective agreement is published online: Collective Agreement

The changes introduced through the collective agreement included the following key provisions:

- Revised grading structure so that the Council's lowest paid employees are paid not less than the London Living Wage.
- A scheme making incremental pay progression subject to satisfactory performance
- Reduced enhancements for overtime or weekend working except for Bank Holidays and night work
- Reduced redundancy compensation payments
- Improved salary sacrifice schemes and other employee benefits

Council Pay Rates / Scales

The Council considers it important to be able to locally determine pay rates. This enables it to respond to regional and local labour market conditions. The Council benchmarks its pay rates with other London Boroughs to ensure that it is able to recruit and retain qualified and competent employees. The Council operates locally determined pay scales and adopts the national (JNC/NJC) GLPC national and regional pay award agreements. The Harrow pay structure applies to all staff with the exception of a small amount of staff such as TUPE transferred staff who have not yet been integrated on to the Harrow pay structure, transferred Public Health staff and Communications Team staff and Educational Psychologists[2].

[2] Educational Psychologists are paid according to the national Soulbury Committee terms and conditions - annually at 1 September

The pay scales are revised annually and are published online: Officers Payscale 2020/21

Remuneration of Senior Management (Chief Officers)

The Council defines its senior management as the top tiers in the management structure. This includes the Chief Executive, Corporate Directors, Directors and Divisional Directors, comprising all statutory and non-statutory Chief Officer posts.

The senior management structure is published online Senior Management Structure

Senior management pay is published online: Senior Management Pay 2019-20

All Chief Officers are appointed by Members through the Chief Officer Employment Panel. (COEP).

The Council may, in exceptional circumstances, employ senior managers under contracts for services. The Council publishes details of all payments made under contracts for services in excess of £500 online:

- Senior Management Pay 2019-20
- Council Budgets and Spending

Remuneration of Lowest Paid Employees

The Council defines its lowest paid employees as those paid at the lowest pay spine column point on the lowest Harrow pay grade. The Council's lowest paid employees are paid not less than the London Living Wage.

Pay Multiple

The 'pay multiple' is the ratio between the highest paid employee's pay and the median average pay of the Council's workforce and is currently 1:6. The Council's highest paid post is the Chief Executive and further details of the pay multiple is published online: Senior Management Pay 2019-20

Pay Grading

In 2004 the Council entered into a single status agreement with its recognised trade union, introducing common job evaluation schemes[3] and pay scales for the Council's former manual workers, administrative, professional, technical and clerical employees with the exception of Education Psychologists, Nursery Nurses, Youth & Community Workers, Chief Officers and the Chief Executive.

In 2007 job evaluation was extended to include Chief Officers using independent Hay Group Job Evaluation process

From April 2013 the Council took over specific public health functions from the NHS and staff that transferred from the NHS to the Council remain on NHS grades and pay scales. New

[3] The Greater London Provincial Council (GLPC) Scheme is used for all Harrow graded jobs and the Hay Scheme for senior professional and managerial jobs.

posts are being recruited to on the local government grades and pay scales. The Director of Public Health has been appointed on Harrow pay and terms and conditions.

Pay on Appointment

All employees, including Chief Officers are normally appointed on the lowest pay spine column point for their job evaluated grade. In exceptional circumstances employees may be appointed at a higher point within the evaluated grade. Instances where to attract the most experienced and sought after skills for the good of the Council and where there is competition or shortages across London Boroughs may determine a higher starting spinal point.

The Council delegates authority to the Chief Officers' Employment Panel to make recommendations to Council on the appointment of the Head of Paid Service, (Chief Executive) and make appointments of Chief Officers in accordance with the Council's Pay Policy.

The Council's delegations to the Chief Officers' Employment Panel also include, determination of any remuneration package of £100,000 or greater. Remuneration packages of £100,000 or greater are also reported to full Council.

Pay Progression

All employees are able to incrementally progress through the pay spine column points for their job evaluated grade.
Progression will normally be one increment (pay spine column point) on the 1st of April each year until they reach the top of their grade. During the first year of service, employees who start between 1st October and 31st March will receive their incremental progression after 6 months service
.
The criteria for pay progression for all staff is subject to satisfactory performance and can be withheld if there is a current sanction such as a written warning in place or where performance is being addressed through formal procedures.

Progression for Chief Officers is subject to the following qualifications:

i. Increments may be accelerated within a Chief Officer's scale at the discretion of the council on the grounds of special merit or ability.
ii. An increment may be withheld following an adverse report on a Chief Officer (subject to that Chief Officer's right of appeal). Any increment withheld may be paid subsequently if the Chief Officer's services become satisfactory.

Performance Related Pay

Council employees including the Chief Executive and Chief Officers do not currently receive performance related payments or bonuses. However, the Council's employment policies and procedures are reviewed on a regular basis in the light of service delivery needs and any changes in legislation etc.

The Council operates a Reward and Recognition Scheme for employees who, subject to meeting the criteria of the scheme, may receive payments of £250 or £500, although it may be necessary to pay increased amounts on occasion according to individual circumstances and with Director approval. Details of Reward and Recognition payments to senior management are published online: Senior Management Pay 2019-20.

National / Regional Pay Agreements

The Council supports the national (JNC/NJC[4] and Soulbury) and regional (GLPC) collective bargaining arrangements for pay and conditions of service and the pay scales for all employees, including the Chief Executive and Chief Officers, are increased in line with national and regional pay agreements. Some conditions of service are negotiated locally.
.

Market Supplements

The Council may apply market supplement payments to jobs with recruitment or retention difficulties. Market supplements are applied following a robust evidenced business case that meets criteria defined in the Market Supplement policy and agreed by the Corporate Director, Director or HR and the portfolio holder of the directorate. Details of market supplement payments to senior management are published online: Senior Management Pay 2019-20

Fees for Election Duties

The Council's policy for payment of fees for election duties is published online: Election fees and Charges.

The Council's Director of Legal and Democratic Services is the Returning Officer for Harrow Elections.

Details of fees for election duties paid to senior management are published online: Senior Management Pay 2019-20

Other Payments

The Head of Paid Service may authorise other payments as necessary, in accordance with the Council's delegations.

Details of any other payments to senior management are published online: Senior Management Pay 2019-20

Pension

All employees are auto enrolled into the Local Government Pension Scheme and employees who remain in the Scheme receive benefits in accordance with the provisions of that Scheme as applied by the Council. Details of the Council's policy and decisions in respect of discretionary elements of the Scheme are published online:

- Policy on Discretions / Pensions – 2014
- Pension Fund Accounts – 2018/19

From April 2013 the Council took over specific public health functions from the NHS and staff who transferred from the NHS to the Council and were members of the NHS Pension Scheme continue to be members of that Scheme and receive benefits in accordance with the provisions of that Scheme.

[4] Joint Negotiating Committee / National Joint Council

Other Terms and Conditions of Employment

The pay, terms and conditions of council employees are set out in employee handbooks. Handbooks are produced for all employees, including managers and senior professionals, Chief Officers and the Chief Executive and the latest editions are published online: Harrow Council Employee Handbooks.

Payments on Termination of Employment

In the event that the Council terminates the employment of an employee, including a Chief Officer, on the grounds of redundancy or efficiency of the service they will be entitled to receive compensation and benefits in accordance with the Council's Redundancy and Early Retirement schemes, which are published online:

- Harrow Council Employee Handbooks
- Policy on Discretions / Pensions 2014

The Council's Redundancy scheme was changed as a result of the modernising review and compensation payments to employees reduced in 2014 and 2015.

The Council's delegations to the Chief Officers' Employment Panel, include determination of any payments on termination of £100,000 or greater.

Details of compensation payments paid to senior management are published at: Senior Management Pay 2019-20

Further information on the scheme is published online: Red Payments Agreed

Severance payments of £100,000 or greater are also reported to full Council.

The Council's approach to payments on termination of employment and re-employment of employees in receipt of such payments will be impacted by legislation from the introduction of The Restriction of Public Sector Exit Payments Regulations 2020.

Re-employment of Employees

Section 7 of the Local Government and Housing Act 1989 requires that every appointment to paid office or employment in a local authority shall be made on merit.

Should a successful candidate be in receipt of a redundancy payment the Council will apply the provisions of the Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order 1999 (as amended) regarding the recovery of redundancy payments. The rules of the Local Government Pension Scheme also have provisions to reduce pension payments in certain circumstances to those who return to work within local government service.

Redundancy Payments will be affected if an employee receives an unconditional offer of employment from this or any other Local Authority (or any other employer covered by the Modification Order), on or before their last day of service with this Council **and** takes up such employment within 4 weeks of their last day of service.
If an employee in receipt of an augmented pension from the Council is re-employed, the augmented pension will cease during the period of re-employment.

Further Information

Harrow's annual Pay Policy Statement will be published on the council's website. For further information on the Council's pay policy please contact the Council's Human Resources & Organisational Development Service by email to askhr@harrow.gov.uk

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INTRODUCTION

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially being offered to the sector for the three financial years 2016/17 to 2018/19, this was extended for a further 3 years as part of the provisional settlement announced on 19th December 2017. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Local authorities are given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authorities', or several authorities, and/or to another public sector body's net service expenditure.

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

EXAMPLES OF QUALIFYING PROJECTS

There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and

RULES OF QUALIFICATION

Local authorities cannot borrow to finance the revenue costs of service reform.

For any financial year the Strategy ("the initial Strategy") should be prepared before the start of the year.

The authority should prepare an annual strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent.

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

All services must ensure that they have adequate available resources to maintain the ongoing revenue requirement for all capital projects.

Where possible, the Council will be looking to fund the revenue costs from within revenue resources and therefore the use of capital receipts will only be utilised where all other funding streams have been exhausted.

STRATEGY FOR USE OF FUNDS

Where the Council is looking to capitalise pump priming costs, additional surplus assets may be identified and sold.

The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are not built into the Council's current capital programme and so the utilisation of receipts for capital receipts flexibility will not have a detrimental impact on the Council's prudential indicators, as set out in the Council's Treasury Management Strategy.

All schemes which are eventually deemed to qualify under this programme would have the required costs funded through capital receipts rather than revenue funding streams.

Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Section 151 Officer.

Any revenue expenditure, which falls within the criteria of qualifying expenditure, can be attributed as eligible for applying against capital flexibilities where this expenditure leads to ongoing efficiency savings or service transformation

Summary of Position on EQIAs on Savings Proposals 2021/22 **Appendix 15**

Savings on Appendix 1A

Savings Reference	Description of Proposal	2021/22 £	Is an EQIA required (Y/N)	Age (including carers)	Disability (including carers)	Gender Reassignment	Marriage and Civil Partnership	Pregnancy and Maternity	Race	Religion and Belief	Sex	Sexual Orientation	**Impact before mitigation**	**Impact after mitigation**
COM21.22_S01	Commissioning and Environmental Services re-organisation - net saving on salary budget	250	Y	N	N	N	N	N	N	N	N	N	N	N

Savings on Appendix 1B

COM_20.21_S03	Removal of base budget from October 2020 for 4 positions that are currently 67% grant funded. These 4 FTC positions are created as part of the successful bid to HLF for the Headstone Manor refurbishment project. HLF funding will end in Sept 2020, thereby the future of these posts will be dependent on the availability of further external funding. As no further external funding has been secured, these positions are deleted in 2020/21. This saving started in 2020/21 with a £22k saving made in 2020/21, therefore a total of £44k across 2 years.	22	Y - already completed as part of 2020/21 budget process	Y - minor impact	N	N	N	N	N	N	N	N	N	N
COM_20.21_S05	Reduction in EACH contract and Sheltered housing support from April 2020- Each contract to be transferred to floating support scheme and reduction in sheltered housing support proposed to finance through enhanced housing management service charge which is HB eligible/ or reduce scope of the service provided.	68	Y - required in 2021/22. Individual assessments will be done.	N	N	N	N	N	N	N	N	N	N	N

Equality Impact Assessment (EqIA)

You will need to produce an Equality Impact Assessment (EqIA) if:

- You are developing a new policy, strategy, or service
- You are making changes that will affect front-line services
- You are reducing budgets, which may affect front-line services
- You are changing the way services are funded and this may impact the quality of the service and who can access it
- You are making a decision that could have a different impact on different groups of people
- You are making staff redundant or changing their roles

Guidance notes on how to complete an EqIA and sign off process are available on the Hub under Equality and Diversity. You must read the guidance notes and ensure you have followed all stages of the EqIA approval process (outlined in appendix 1). Section 2 of the template requires you to undertake an assessment of the impact of your proposals on groups with protected characteristics. Equalities and borough profile data, as well as other sources of statistical information can be found on the Harrow hub, within the section entitled: Equality Impact Assessment - sources of statistical information.

Equality Impact Assessment (EqIA)

Type of Decision:	○ Cabinet ○ Portfolio holder ◉ Other (state)	
Title of Proposal	Removal of base budget for 4 staffing positions at Headstone Manor and Museum from October 2020	**Date EqIA created - 25/10/19**
Name and job title of completing/lead Officer	Tim Bryan – Head of Service, Culture and Leisure	
Directorate/ Service responsible		
Organisational approval		
EqIA approved by Directorate Equalities Lead	**Name** Dave Corby	**Signature** ☒ **Tick this box to indicate that you have approved this EqIA** **Date of approval 6th November 2019**

1. Summary of proposal, impact on groups with protected characteristics and mitigating actions (to be completed **after** you have completed sections 2 - 5)
a) What is your proposal? To remove the base budget for 4 staffing positions at Headstone Manor and Museum from October 2020. The posts are: Community Engagement Officer, Youth and Families Engagement Officer, Outdoor Learning Officer, and Digitisation Project Officer. These posts were created as part of the restoration of the museum project which received significant capital funding from the Heritage Lottery Fund. The salary costs of these posts are £135k (£91k funded from Heritage Lottery Fund (HLF) until September 2020 and £44k from the Council). These posts were intended to ensure that the restored museum was accessible to the whole community especially those from target groups which have traditionally been hard to reach audiences. These groups include families and children. If no alternative external funding can be secured these posts will be deleted.
b) Summarise the impact of your proposal on groups with protected characteristics The only protected characteristic that it is believed that these proposals would have an impact on is age, particularly on young people and families.
c) Summarise any potential negative impact(s) identified and mitigating actions It is believed that there would be a minor negative impact on young people and families. It would be intended to maintain the engagement networks and activities established for this target group by the work of the posts to be deleted especially by the Youth and Families Engagement Officer now that they have been set up. Applications for external grant funding to support delivery of activities to this target group will also be made as appropriate. Regular family events and work with schools including a project loan collection were in place before the 4 posts partially funded by HLF started.

<table>
<tr><th colspan="2">2. Assessing impact</th><th colspan="4"></th></tr>
<tr><td colspan="2">You are required to undertake a detailed analysis of the impact of your proposals on groups with protected characteristics. You should refer to borough profile data, equalities data, service user information, consultation responses and any other relevant data/evidence to help you assess and explain what impact (if any) your proposal(s) will have on each group. Where there are gaps in data, you should state this in the boxes below and what action (if any), you will take to address this in the future.</td><td colspan="4">What does the evidence tell you about the impact your proposal may have on groups with protected characteristics? Click the relevant box to indicate whether your proposal will have a positive impact, negative (minor, major), or no impact</td></tr>
<tr><th rowspan="2">Protected characteristic</th><th rowspan="2">For each protected characteristic, explain in detail what the evidence is suggesting and the impact of your proposal (if any). Click the appropriate box on the right to indicate the outcome of your analysis.</th><th rowspan="2">Positive impact</th><th colspan="2">Negative impact</th><th rowspan="2">No impact</th></tr>
<tr><th>Minor</th><th>Major</th></tr>
<tr><td>Age</td><td>The resident population of Harrow according to the 2018 mid-year population estimates was 250,149. Office for National Statistics (ONS) 2018 mid-year population data by age for the whole borough was as follows:
<table>
<tr><th>Age Group</th><th>Total</th></tr>
<tr><td>0-4 year olds</td><td>17,745</td></tr>
<tr><td>5-19 year olds</td><td>45,630</td></tr>
<tr><td>20-24 year olds</td><td>13,528</td></tr>
<tr><td>25-49 year olds</td><td>89,685</td></tr>
<tr><td>50-59 year olds</td><td>31,204</td></tr>
<tr><td>60-74 year olds</td><td>33,943</td></tr>
<tr><td>75-89 year olds</td><td>12,736</td></tr>
<tr><td>90 years old and over</td><td>2,148</td></tr>
</table>
</td><td>☐</td><td>☒</td><td>☐</td><td>☐</td></tr>
</table>

	The age breakdown of the 4 staff at Headstone Manor and Museum who are affected by this proposal is as follows: 18-24 = ; 25-34 = ; 35-44 = 0; 45-54 = 0; 55+ = 0 In 2018-19 there were 51,666 visitors to the museum. 7,827 people took part in the family activities (including Mini Museum for Under 5s, trails and workshops). There were 4,780 visits from school children. The greatest impact of these proposals is likely to be a reduction in the number of people visiting the museum particularly by young people and families. Engagement work with local schools also likely to decrease. Regular family events and work with schools including a project loan service were in place before the posts partially funded by Heritage Lottery Funded (HLF) started. The ages of the affected staff range from 22 to 31. The staffing reduction will be carried out according to the appropriate Council's management of change policy and equalities policy.				
Disability	There are approximately 15,000 people aged 16 to 64 with moderate or serious physical disability living in Harrow and this number is predicted to increase to 16,000 by 2020. These trends are similar to those predicted for London with the largest proportion increases being in the 55 to 64 age group (Harrow Joint Strategic Needs Assessment 2015-20). The total population aged 18-64 in Harrow predicted to have a learning disability in 2017 is 3,466 (Information taken from: www.pansi.org.uk). The 2011 census showed there were 24,620 carers in Harrow, an increase of over 4,000 (almost 20%) from ten years earlier. The reasons for providing care vary and can include more than one reason. In the Harrow Carers' Survey, the 3 out of 5 carers were caring for someone with a physical disability. 45% of Harrow carers were caring for an older person which is significantly higher than the national average. Around 1 in 5 were caring for someone with a mental health problems and a similar proportion for someone with a learning disability. It is difficult to estimate the number of young carers although the 2011 Census shows 2,272 self-declared young carers aged 0 – 24 years old in Harrow. The vast majority of these are hidden, i.e. not known to social care or receiving any support (Harrow Joint Strategic Needs Assessment 2015-20). None of the 4 staff at Headstone Manor and Museum affected by these proposals are known to have a disability. The staffing reduction will be carried out according to the appropriate Council's management of change policy and equalities policy.	☐	☐	☐	☒

	It is not anticipated that these proposals will have a specific impact on people who have a disability. The recent restoration of the Museum ensured that the museum is accessible to those with a disability and meets the required disability legislation.				
Gender reassignment	The only data Harrow currently has on Gender Reassignment is via the Analysis of demand from housing applicants (via Locata): 1 (0.02%) housing applicant has indicated that they are transgender. (Data as at April 2014). None of the staff that would be impacted by this proposal indicated that they were part of this protected characteristic. This proposal will be carried out according to the appropriate Council's management of change policy and equalities policy. It is not anticipated that these proposals will have a specific impact on people from this protected characteristic.	☐	☐	☐	☒
Marriage and Civil Partnership	Census data: Harrow has a very high percentage of married couples, with 53.7% of residents aged 16 and older declaring they were in a marriage in 2011. This is above the national level of 46.6%. There was a 27% increase in the number of married people living in Harrow between 2001 and 2011 (Office for National Statistics, 2001 and 2011). Between their inception and January 2012, 107 civil partnership ceremonies took place in Harrow. Of the 4 museum staff affected by these proposals 1 indicated that they are single, and 1 that they are married. These proposals will be carried out according to the Council's management of change policy and equalities policy. It is not anticipated that these proposals will have a specific impact on people from this protected characteristic.	☐	☐	☐	☒
Pregnancy and Maternity	The 2018 mid-year estimates showed an increase of 31 births (3,655 births in total) over 2017 mid-year estimates, a 0.86% increase. There was a consistent increase from 2001/02 to 2012/13. Of the 4 museum staff affected by these proposals one is currently on maternity leave.	☐	☐	☐	☒

<table>
<tr>
<td></td>
<td>These proposals will be carried out according to the Council’s management of change policy and equalities policy.

It is not anticipated that these proposals will have a specific impact on people from this protected characteristic.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race/ Ethnicity</td>
<td>Census data (2011) shows the ethnic breakdown for Harrow to be as follows:

<table>
<tr><td>Ethnic Group</td><td>Total</td><td>Percentage</td></tr>
<tr><td>White British</td><td>73,826</td><td>31%</td></tr>
<tr><td>White Other</td><td>27,165</td><td>11%</td></tr>
<tr><td>Mixed</td><td>9,499</td><td>4%</td></tr>
<tr><td>Asian or Asian British</td><td>101,808</td><td>43%</td></tr>
<tr><td>Black or Black British</td><td>19,708</td><td>8%</td></tr>
<tr><td>Arab and Other Group</td><td>7,050</td><td>3%</td></tr>
</table>

It is not anticipated that these proposals will have a specific impact on people from this protected characteristic.

The ethnic groups of the 4 staff affected who indicated their ethnic origin is as follows:

White – British = 2

White – Other =1

These proposals will be carried out according to the Council’s management of change policy and equalities policy.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☒</td>
</tr>
</table>

Religion or belief	Harrow is Britain's most religiously diverse community and enjoys the Country's highest density of Gujarati Hindus and Sri Lankan Tamils, alongside significant Muslim, Jewish and Christian communities. The Greater London Authority (GLA) Diversity Indices rank Harrow seventh highest nationally for ethnic diversity and second for religious diversity. It is not anticipated that these proposals will have a specific impact on people from this protected characteristic. Of the staff affected by these proposals 2 indicated that they had no religion/were atheist. These proposals will be carried out according to the Council's management of change policy and equalities policy.	☐	☐	☐	☒
Gender	ONS data: In the mid-year estimate 2018, 50% (125,133) of Harrow residents were male and 50% (125,016) are female. The first year where males have exceeded females. It is not anticipated that these proposals will have a specific impact on people from this protected characteristic. All 4 museum staff that would be affected by these proposals are female. These proposals will be carried out according to the Council's management of change policy and equalities policy.	☐	☐	☐	☒
Sexual Orientation	Although sexual orientation is a protected characteristic under equalities legislation, there is no robust data on the numbers of lesbians, gay men and bisexuals in the population as no national census has ever asked people to define their sexuality. The Government estimates that 5-7% of the population are lesbians, gay men or bisexual. Stonewall, a UK charity supporting LGB rights, agrees with this estimate. 2 staff who would be affected by these proposals indicated that they are	☐	☐	☐	☒

	heterosexual/straight. The staff restructure will be carried out according to the Council's management of change policy and equalities policy.				

2.1 Cumulative impact – considering what else is happening within the Council and Harrow as a whole, could your proposals have a cumulative impact on groups with protected characteristics? ☐ **Yes** **No** ☒
If you clicked the Yes box, which groups with protected characteristics could be affected and what is the potential impact? Include details in the space below
2.2 Any other impact - considering what else is happening nationally/locally (national/local/regional policies, socio-economic factors etc), could your proposals have an impact on individuals/service users, or other groups? ☐ **Yes** **No** ☒
If you clicked the Yes box, Include details in the space below

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3. Actions to mitigate/remove negative impact
Only complete this section if your assessment (in section 2) suggests that your proposals may have a negative impact on groups with protected characteristics. If you have not identified any negative impacts, please complete sections 4 and 5. In the table below, please state what these potential negative impact (s) are, mitigating actions and steps taken to ensure that these measures will address and remove any negative impacts identified and by when. Please also state how you will monitor the impact of your proposal once implemented.

State what the negative impact(s) are for **each** group, identified in section 2. In addition, you should also consider and state potential risks associated with your proposal.	Measures to mitigate negative impact (provide details, including details of and additional consultation undertaken/to be carried out in the future). If you are unable to identify measures to mitigate impact, please state so and provide a brief explanation.	What action (s) will you take to assess whether these measures have addressed and removed any negative impacts identified in your analysis? Please provide details. If you have previously stated that you are unable to identify measures to mitigate impact please state below.	Deadline date	Lead Officer
Potential minor impact on young people and families – potential for fewer people from these age groups to attend the museum as this was one of the key audience groups targeted by the roles that would be deleted under this proposal – in particular the Youth and Families Engagement Officer and the Community Engagement Officer.	The affected posts were set up after the completion of the restoration of the museum partially funded by HLF with the aim of establishing suitable activities for target audiences including young people and activities and ensuring that suitable activities were put in place for this age group. It is intended that the engagement networks and activities established will be sustained as much as possible within the remaining resources now that they are already in place, and that applications for external grant funding will be made to sustain service delivery to young people and families as appropriate both prior to the end of the current HLF funding period and afterwards. Regular family events and work with schools including a project loan service were in place before the 4 posts partially funded by HLF started.	Statistics of young people and families visiting the museum will continue to be recorded to assess the impact of the proposed removal of these 4 posts, and the measures taken to mitigate the impact	Ongoing	Kerry Blackburn

4. Public Sector Equality Duty
How does your proposal meet the Public Sector Equality Duty (PSED) to: 1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010 2. Advance equality of opportunity between people from different groups 3. Foster good relations between people from different groups
Include details in the space below Headstone Manor and Museum will continue to provide services to the whole community including all ages, ethnic and religious groups, and all the other protected characteristics. There will continue to be activities targeted at specific groups provided, and opportunities for people from different groups to participate in activities together.

5. Outcome of the Equality Impact Assessment (EqIA) click the box that applies

☐ **Outcome 1** **No change required: the EqIA has not identified any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality of opportunity are being addressed**
☒ **Outcome 2** **Adjustments to remove/mitigate negative impacts identified by the assessment, or to better advance equality, as stated in section 3&4**
☐ **Outcome 3** **This EqIA has identified discrimination and/ or missed opportunities to advance equality and/or foster good relations. However, it is still reasonable to continue with the activity. Outline the reasons for this and the information used to reach this decision in the space below.**
Include details here

Equality Impact Assessment (EqIA)

You will need to produce an Equality Impact Assessment (EqIA) if:

- You are developing a new policy, strategy, or service
- You are making changes that will affect front-line services
- You are reducing budgets, which may affect front-line services
- You are changing the way services are funded and this may impact the quality of the service and who can access it
- You are making a decision that could have a different impact on different groups of people
- You are making staff redundant or changing their roles

Guidance notes on how to complete an EqIA and sign off process are available on the Hub under Equality and Diversity.
You must read the guidance notes and ensure you have followed all stages of the EqIA approval process (outlined in appendix 1). Section 2 of the template requires you to undertake an assessment of the impact of your proposals on groups with protected characteristics. Equalities and borough profile data, as well as other sources of statistical information can be found on the Harrow hub, within the section entitled: Equality Impact Assessment - sources of statistical information.

Equality Impact Assessment (EqIA)		
Type of Decision:	○ Cabinet ◉ Portfolio holder ○ Other (state)	
Title of Proposal	Divisional Directorates Restructure Environment & Culture and Commissioning & Commercial Services	**Date EqIA created 30 November 2020**
Name and job title of completing/lead Officer	Michael Butler Interim Director of Environmental Services	
Directorate/ Service responsible	Resources	
Organisational approval		
EqIA approved by Directorate Equalities Lead	**Name: Paul Walker**	**Signature** ☐ **Tick this box to indicate that you have approved this EqIA** **Date of approval**

1. Summary of proposal, impact on groups with protected characteristics and mitigating actions
(to be completed **after** you have completed sections 2 - 5)

a) Management Proposal

The two existing Divisions have been without Directors for some time now. An Interim Director has been in post since October 2019 to ensure suitable leadership is provided to staff in both Divisional Directorates. During this time temporary changes to the structure and reporting lines have been implemented in order to ensure that the services continued to be delivered.

In addition, a financial review has been undertaken of both Directorates which has been in line with overall Council objectives to reduce net spending. This review now seeks to address the finances and structures of both Divisions in line with Council's overall service development, delivery and financial requirements.

Phased Implementation of the Proposed Restructure

The proposal is that the restructure will be managed across separate phases covering all grades of employees from the management team (Heads of Service) downwards and across operational teams within Environmental Services. Details of affected employees and operational teams will be revealed at the formal consultation processes as each Phase is formally launched.

Reduction in Roles

This EqIA is completed for Phase 1 of the proposed restructure which affects five Head of Service employees within the senior management team. There are currently seven Head of Service roles and the proposal is to reduce that to six Head of Service roles and to delete all current vacant posts within the senior management team. There are five new roles proposed within the new structure four of which are Heads of Service roles.

b) Summarise the impact of your proposal on groups with protected characteristics

No negative impact has been identified for affected employees in the age, gender, ethnicity origin and disability, protected characteristics as detailed in C below. All five affected employees have an equal opportunity and accessibility to the new posts in the proposed new structure and all have been ringfenced for interviews to appropriate and relevant opportunities in the new structure.

c) Summarise any potential negative impact(s) identified and mitigating actions

No negative impact has been identified for affected employees in the age, gender, ethnicity origin and disability, protected characteristics as detailed in C below. All five affected employees have an equal opportunity and accessibility to the new posts in the proposed new structure and all have been ringfenced for interviews to appropriate and relevant opportunities in the new structure.

<table>
<tr><td colspan="2">2. Assessing impact</td><td colspan="4"></td></tr>
<tr><td colspan="2">You are required to undertake a detailed analysis of the impact of your proposals on groups with protected characteristics. You should refer to <u>borough profile data</u>, <u>equalities data</u>, service user information, consultation responses and any other relevant data/evidence to help you assess and explain what impact (if any) your proposal(s) will have on each group. Where there are gaps in data, you should state this in the boxes below and what action (if any), you will take to address this in the future.</td><td colspan="4">What does the evidence tell you about the impact your proposal may have on groups with protected characteristics? Click the relevant box to indicate whether your proposal will have a positive impact, negative (minor, major), or no impact</td></tr>
<tr><td rowspan="2">Protected characteristic</td><td rowspan="2">For each protected characteristic, explain in detail what the evidence is suggesting and the impact of your proposal (if any). Click the appropriate box on the right to indicate the outcome of your analysis.</td><td rowspan="2">Positive impact</td><td colspan="2">Negative impact</td><td rowspan="2">No impact</td></tr>
<tr><td>Minor</td><td>Major</td></tr>
<tr><td>Age</td><td>The age profile of five staff affected at Phase 1 of the proposed management restructure

<table>
<tr><th>AGE RANGE</th><th>TOTAL</th><th>PERCENTAGE %</th></tr>
<tr><td>20-29</td><td></td><td></td></tr>
<tr><td>30-39</td><td>1</td><td>20%</td></tr>
<tr><td>40-49</td><td>2</td><td>40%</td></tr>
<tr><td>50-59</td><td>1</td><td>20%</td></tr>
<tr><td>60-69</td><td>1</td><td>20%</td></tr>
<tr><td>70-79</td><td></td><td></td></tr>
<tr><td>GRAND TOTAL</td><td>5</td><td>100%</td></tr>
</table>

The highest percentage within the affected staff is within the 40 - 49 age bracket. This is comparable to the breakdown of the highest group within the overall profile of MG grades within the Community Directorate which is within the 50 – 59 age range.

Given these are higher graded posts the highest percentage age range within this group is not surprising. There is no impact.</td><td>☐</td><td>☐</td><td>☐</td><td>☒</td></tr>
</table>

The age breakdown of the overall profile of MG grades within the Community Directorate.

AGE RANGE	TOTAL	PERCENTAGE %
20 - 29		
30 - 39	3	6%
40 - 49	12	23%
50 - 59	**28**	**55%**
60 - 69	8	16%
70 - 79		
GRAND TOTAL	**51**	**100%**

Disability

The disability breakdown profile of the five affected staff at Phase 1 by the proposed management restructure.

DISABILITY Y OR N	PERCENTAGE
N	100%
Grand Total	100%

None of the affected staff are disabled. There is no impact.

The disability breakdown of the overall profile of MG grades within the Community Directorate.

DISABILITY DESCRIPTION	TOTALS
No	28
Prefer not to say	
Yes	4
(blank)	19
Grand Total	51

☐ ☐ ☐ ☒

Gender reassignment

The Gender reassignment profile of staff affected by the proposed management restructure:

None of the affected staff indicated that their gender identity was different to that assigned at birth. There is no impact.

GENDER REASSIGNMENT Y or N	PERCENTAGE
N	100%
Grand Total	100%

☐ ☐ ☐ ☒

Marriage and Civil Partnership

The Marriage and Civil Partnership profile of the five staff affected by the proposed management restructure.

MARITAL STATUS	TOTALS	PERCENTAGES
Sep.	**1**	**20%**
CivPar		
Div.		
Marr.	**4**	**80%**
Single		
Unknwn		
Wid.		
(blank)		
Grand Total	**5**	**100%**

The overall profile for MG grades in the Community Directorate

Marital Status	Total	%
Separated	1	**2%**
Civil Partnership		
Divorced.	1	**2%**
Married	32	**63%**
Single	9	**18%**
Not Specified	8	**15%**
Grand Total	**51**	**100.00%**

The highest percentage within the affected staff group is within the married bracket which compares to the highest group within the overall profile for MG grades within the Community Directorate.

Given these are higher graded posts the highest percentage within this group is not surprising. There is no impact.

☐ ☐ ☐ ☒

Pregnancy and Maternity	From the current profile data for staff affected by the proposed management restructure there are no staff who are either pregnant or on maternity leave at the moment.	☐	☐	☐	☒

Race/ Ethnicity

The Race / Ethnicity profile of the five affected staff of the proposed management restructure

All Ethnicities	TOTALS	PERCENTAGES
Asian - Bangladeshi	1	**20%**
White - English	3	**60%**
Unknown	1	**20%**
Grand Total	**5**	**100%**

The overall profile of MG grades within the Community Directorate

Ethnic origin	Number	Percentage
White - English	27	**52%**
Asian - Indian	7	**14%**
Unknown	1	**2%**
Asian - Sri Lankan		
Mixed - Other		
White - Other	6	**12%**
Asian - Afghani		
Asian - Bangladeshi	1	**2%**
Asian - Pakistani		
Black - African	1	**2%**
White - Irish	3	**6%**
Asian - Chinese		
Black - Other		
Black - Somali		
Black – Black Caribbean	4	**8%**
Mixed - Black and White Caribbean		
Other - any other ethnic group		
White - Polish		
White - Romanian		
White - Scottish		
White - Welsh	1	**2%**
Total (All Groups)	51	**100.00%**

☐ ☐ ☐ ☒

The highest percentage within the affected staff is White English which compares to the highest group in the overall MG grade in the Community Directorate. There is no impact.

Religion or belief

The Religious / Belief group profile of the five staff affected by the proposed management restructure.

Religion	TOTALS	PERCENTAGES
Christianity	3	**60%**
Islam	1	**20%**
No Religion/Atheist	1	**20%**
Grand Total	**5**	**100%**

The overall Harrow Council staff Religious / Belief group profiles:

RELIGION	Total	%
Buddhism		
Christianity	24	**47%**
Hinduism	2	**4%**
Islam	1	**2%**
Jainism		
Judaism	2	**4%**
No Religion/Atheist	2	**4%**
Other		
Sikh	1	**2%**
Zoroastrian		
(blank)	19	**37%**
Grand Total	**51**	**100%**

The highest percentage within the affected staff is Christianity which compares to the highest declared group in the overall MG grade in the Community Directorate. There is no impact.

Some general indicators worth noting:

- GLA's Religious Diversity Indices show that Harrow is London's second more religiously

☐ ☐ ☐ ☒

- diverse borough after Redbridge.
- Census 2011 – Religious affiliation is very high in Harrow with Harrow having the second lowest number of residents who stated that they have no religion after Newham.
- Christianity identified as Harrow's most common religion with 37.3% followers. 25.3% of Harrow's residents

Sex

The Gender group profile of the five staff affected by the proposed management restructure.

Gender	TOTALS	PERCENTAGES
Female	2	40%
Male	3	60%
Grand Total	5	100%

The highest percentage within the affected staff is male at 60% to 40% female. This compares to 59% males and 41% female gender split within the overall MG grade in the Community Directorate. There is no impact.

Gender	TOTALS	PERCENTAGES
Female	21	41%
Male	30	59%
Grand Total	51	100%

☐	☐	☐	☒

Sexual Orientation

The Sexual Orientation group profile of five staff affected by the proposed management restructure

Sexual Orientation	TOTALS	PERCENTAGES
Bisexual		
Gay/Lesbian		
Hetrosexual / Straight	4	80%
Other		
Prefer not to say	1	20%
(blank)		
Grand Total	**5**	**100%**

☐ ☐ ☐ ☒

The profile data relating to sexual orientation groups for MG grades within the Community Directorate are:

SEXUAL ORIENTATION	TOTAL	%
Bisexual		
Gay/Lesbian	1	**2%**
Hetrosexual/Straight	25	**49%**
Other		
Prefer not to say	2	**4%**
Blank	23	**45%**
Grand Total	**51**	**100.00 %**

The highest percentage within the affected staff is Hetrosexual/Straight which compares to the highest group in the overall MG grade within the Community Directorate. There is no impact.

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2.1 Cumulative impact – considering what else is happening within the Council and Harrow as a whole, could your proposals have a cumulative impact on groups with protected characteristics?

☐ **Yes** **No** ☒

If you clicked the Yes box, which groups with protected characteristics could be affected and what is the potential impact? Include details in the space below

2.2 Any other impact - considering what else is happening nationally/locally (national/local/regional policies, socio-economic factors etc), could your proposals have an impact on individuals/service users, or other groups?

☐ **Yes** **No** ☒

If you clicked the Yes box, Include details in the space below

3. Actions to mitigate/remove negative impact

Only complete this section if your assessment (in section 2) suggests that your proposals may have a negative impact on groups with protected characteristics. If you have not identified any negative impacts, please complete sections 4 and 5.

In the table below, please state what these potential negative impact (s) are, mitigating actions and steps taken to ensure that these measures will address and remove any negative impacts identified and by when. Please also state how you will monitor the impact of your proposal once implemented.

State what the negative impact(s) are for **each** group, identified in section 2. In addition, you should also consider and state potential risks associated with your proposal.	Measures to mitigate negative impact (provide details, including details of and additional consultation undertaken/to be carried out in the future). If you are unable to identify measures to mitigate impact, please state so and provide a brief explanation.	What action (s) will you take to assess whether these measures have addressed and removed any negative impacts identified in your analysis? Please provide details. If you have previously stated that you are unable to identify measures to mitigate impact please state below.	Deadline date	Lead Officer
N/A				

4. Public Sector Equality Duty How does your proposal meet the Public Sector Equality Duty (PSED) to: 1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010 2. Advance equality of opportunity between people from different groups 3. Foster good relations between people from different groups
Include details in the space below

5. Outcome of the Equality Impact Assessment (EqIA) click the box that applies
☒ **Outcome 1** **No change required: the EqIA has not identified any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality of opportunity are being addressed**
☐ **Outcome 2** **Adjustments to remove/mitigate negative impacts identified by the assessment, or to better advance equality, as stated in section 3&4**
☐ **Outcome 3** **This EqIA has identified discrimination and/ or missed opportunities to advance equality and/or foster good relations. However, it is still reasonable to continue with the activity. Outline the reasons for this and the information used to reach this decision in the space below.**
Include details here

You will need to produce an Equality Impact Assessment (EqIA) if:

- You are developing a new policy, strategy, or service
- You are making changes that will affect front-line services
- You are reducing budgets, which may affect front-line services
- You are changing the way services are funded and this may impact the quality of the service and who can access it
- You are making a decision that could have a different impact on different groups of people
- You are making staff redundant or changing their roles

Guidance notes on how to complete an EqIA and sign off process are available on the Hub under Equality and Diversity. You must read the guidance notes and ensure you have followed all stages of the EqIA approval process (outlined in appendix 1). Section 2 of the template requires you to undertake an assessment of the impact of your proposals on groups with protected characteristics. Equalities and borough profile data, as well as other sources of statistical information can be found on the Harrow hub, within the section entitled: Equality Impact Assessment - sources of statistical information.

Equality Impact Assessment (EqIA)		
Type of Decision:	◉ Cabinet ○ Portfolio holder ○ Other (state)	
Title of Proposal	Savings Proposals 21/22 COM_20.21_S05	**Date EqIA created 2/2/21**
Name and job title of completing/lead Officer	Paul Walker	
Directorate/ Service responsible	Community- Housing Services	
Organisational approval		
EqIA approved by Directorate Equalities Lead	**Name** Dave Corby Head of Service- Community Engagement Community- Commissioning Services	**Signature** ☐ **Tick this box to indicate that you have approved this EqIA** **Date of approval**

1. **Summary of proposal, impact on groups with protected characteristics and mitigating actions** (to be completed **after** you have completed sections 2 - 5)
a) What is your proposal? The proposal is to achieve budget savings in 20211/22 of £82,000 through service efficiencies, with minimal impact on services. <u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The housing-related floating support service is delivered by EACH Counselling & Support. The proposed saving of £38,000 to the General Fund has been achieved by substituting this with Flexible Homelessness Support Grant. There is no change in the service provided. <u>Reduction in funding of Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> The support service for council tenants in sheltered housing for older people is an in-house service. The proposed saving of £30,000 to the General Fund has been achieved through management efficiencies. There is no change in the service provided to residents the deletion of the Support Coordinator Team Leader post.
b) Summarise the impact of your proposal on groups with protected characteristics <u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The proposal will have no impact on service users as the service will not change, only the funding arrangements. <u>Reduction in funding of Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> The proposal will have no impact on service users as the savings have been made from management efficiencies and the service to residents will not change. The service is provided to tenants with support needs across 17 schemes. There are currently 574 sheltered tenants, including joint tenants, and around 150 receive support every year.
c) Summarise any potential negative impact(s) identified and mitigating actions

2. Assessing impact

You are required to undertake a detailed analysis of the impact of your proposals on groups with protected characteristics. You should refer to borough profile data, equalities data, service user information, consultation responses and any other relevant data/evidence to help you assess and explain what impact (if any) your proposal(s) will have on **each** group. Where there are gaps in data, you should state this in the boxes below and what action (if any), you will take to address this in the future.

What does the evidence tell you about the impact your proposal may have on groups with protected characteristics? Click the relevant box to indicate whether your proposal will have a positive impact, negative (minor, major), or no impact

Protected characteristic	For **each** protected characteristic, explain in detail what the evidence is suggesting and the impact of your proposal (if any). Click the appropriate box on the right to indicate the outcome of your analysis.	Positive impact	Negative impact		No impact
			Minor	Major	
Age	Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021 The proposal will have no impact on service users as the service will not change, only the funding arrangements. Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021 As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. 96% of the tenants are aged 65 years or over, 3% are aged between 55 and 64 years and 1% are aged under 55 years. The support service will continue to be available to sheltered tenants who require it. No impact is anticipated on this protected characteristic.	☐	☐	☐	☒
Disability	Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021 The proposal will have no impact on service users as the service will not change, only	☐	☐	☐	☒

	the funding arrangements. <u>Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. The data available shows that at least 33% of the tenants are disabled, have a long-term health condition or experience mental ill health. The support service will continue to be available to sheltered tenants who require it. No impact is anticipated on this protected characteristic.				
Gender reassignment	<u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The proposal will have no impact on service users as the service will not change, only the funding arrangements. <u>Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. We do not have sufficient data on gender reassignment to assess the impact of the proposed change, but we do not anticipate that it will have a negative impact on this group. The support service will continue to be available to sheltered tenants who require it.	☐	☐	☐	☒
Marriage and Civil Partnership	<u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The proposal will have no impact on service users as the service will not change, only the funding arrangements.	☐	☐	☐	☒

	Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021 As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. We do not have sufficient data on marriage and civil partnership to assess the impact of the proposed change, but we do not anticipate that it will have a negative impact on this group. The support service will continue to be available to sheltered tenants who require it.				
Pregnancy and Maternity	Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021 The proposal will have no impact on service users as the service will not change, only the funding arrangements. Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021 As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. Due to the age of the client group it is unlikely that any sheltered housing tenants will identify with this protected characteristic and we do not anticipate that it will have a negative impact on this group. The support service will continue to be available to sheltered tenants who require it.	☐	☐	☐	☒

Race/ Ethnicity

Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021

The proposal will have no impact on service users as the service will not change, only the funding arrangements.

Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021

As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. 16% of tenants have not disclosed their ethnicity. Of those who did declare their ethnicity 50% are Asian, with the most common group being Indian.

Ethnicity	Number	% of total	% of those disclosed
White	146	26	30
Black	68	12	14
Asian	243	42	50
Mixed	8	1	2
Other	17	3	4
Not disclosed	92	16	N/A
Total	574	100	100

The support service will continue to be available to sheltered tenants who require it. No impact is anticipated on this protected characteristic.

☐ ☐ ☐ ☒

Religion or belief	<u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The proposal will have no impact on service users as the service will not change, only the funding arrangements. <u>Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. Information about religion or belief is only available for 35% of the tenants. Of those for whom a religion is recorded 38% are Christian, 36% are Hindu, 11% are Muslim and 15% identify with other religions or prefer not to say. The support service will continue to be available to sheltered tenants who require it. No impact is anticipated on this protected characteristic.	☐	☐	☐	☒
Sex	<u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The proposal will have no impact on service users as the service will not change, only the funding arrangements. <u>Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. There are 340 female tenants (59%) and 234 male tenants (41%). The support service will continue to be available to sheltered tenants who require it. No impact is anticipated on this protected characteristic.	☐	☐	☐	☒

Sexual Orientation	<u>Change in funding of Housing-Related Floating Support delivered by EACH Counselling & Support from April 2021</u> The proposal will have no impact on service users as the service will not change, only the funding arrangements. <u>Reduction in Harrow Council Sheltered Housing for Older People Support Service from April 2021</u> As at 28 January 2021 there are 574 council sheltered tenants, including joint tenants. We do not have sufficient data on sexual orientation to assess the impact of the proposed change, but we do not anticipate that it will have a negative impact on this protected characteristic. The support service will continue to be available to sheltered tenants who require it.	☐	☐	☐	☒

2.1 Cumulative impact – considering what else is happening within the Council and Harrow as a whole, could your proposals have a cumulative impact on groups with protected characteristics?

☐ **Yes** **No** ☒

If you clicked the Yes box, which groups with protected characteristics could be affected and what is the potential impact? Include details in the space below

2.2 Any other impact - considering what else is happening nationally/locally (national/local/regional policies, socio-economic factors etc), could your proposals have an impact on individuals/service users, or other groups?

☐ **Yes** **No** ☐

If you clicked the Yes box, Include details in the space below

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3. Actions to mitigate/remove negative impact

Only complete this section if your assessment (in section 2) suggests that your proposals may have a negative impact on groups with protected characteristics. If you have not identified any negative impacts, please complete sections 4 and 5.

In the table below, please state what these potential negative impact (s) are, mitigating actions and steps taken to ensure that these measures will address and remove any negative impacts identified and by when. Please also state how you will monitor the impact of your proposal once implemented.

State what the negative impact(s) are for **each** group, identified in section 2. In addition, you should also consider and state potential risks associated with your proposal.	Measures to mitigate negative impact (provide details, including details of and additional consultation undertaken/to be carried out in the future). If you are unable to identify measures to mitigate impact, please state so and provide a brief explanation.	What action (s) will you take to assess whether these measures have addressed and removed any negative impacts identified in your analysis? Please provide details. If you have previously stated that you are unable to identify measures to mitigate impact please state below.	Deadline date	Lead Officer
			?	?

4. Public Sector Equality Duty How does your proposal meet the Public Sector Equality Duty (PSED) to: 1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010 2. Advance equality of opportunity between people from different groups 3. Foster good relations between people from different groups
The provision of support services for people with support needs, in the community and in council sheltered housing, contributes to advancing equality of opportunity between people from different groups.

5. Outcome of the Equality Impact Assessment (EqIA) click the box that applies
☒ **Outcome 1** **No change required: the EqIA has not identified any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality of opportunity are being addressed**
☐ **Outcome 2** **Adjustments to remove/mitigate negative impacts identified by the assessment, or to better advance equality, as stated in section 3&4**
☐ **Outcome 3** **This EqIA has identified discrimination and/ or missed opportunities to advance equality and/or foster good relations. However, it is still reasonable to continue with the activity. Outline the reasons for this and the information used to reach this decision in the space below.**
Include details here

Cabinet – 11 February 2021

Harrow Business Consultative Panel – 25 January 2021

Minute Item 22 – Draft Revenue Budget 2021/22 and Draft Medium Term Financial Strategy 2021/22 to 2023/24

Members received two reports of the Director of Finance which set out the Council's proposed Draft Revenue Budget 2021/22 and the Medium Term Financial Strategy 2021/22 to 2023/24.

The Chair welcomed Members and representatives of the business community to the virtual meeting. He explained that the Council had a statutory duty to consult the business community before setting the Budget and Council Tax for the forthcoming year.

RESOLVED: That the reports be noted.

For Information.

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Harrow COUNCIL LONDON

Cabinet – 11 February 2021

Overview and Scrutiny Committee – 12 January 2021

148. Question and Answer Session with the Leader of the Council and the Chief Executive

The Chair opened the Question and Answer session, explaining that it was part of the Council's general annual consultation process on the budget. He outlined the order of the session, stating that that the Committee would first receive a Covid-19 update from the Chief Executive, before moving on to opening statements from the Director of Finance and Portfolio Holder for Finance and Resources. The Committee will then move on to a question and answer session, focusing on the following priority areas:

In his opening statement, the Chief Executive provided a brief update on the latest Covid-19 position, outlining a number of key points:

- Covid-19 cases remained very high across all London boroughs, including Harrow, although there was some early evidence that the national lockdown was starting to have an impact in slowing the rate of transmission.
- pressure on the NHS and hospitals was expected to remain significant for at least a fortnight, with Harrow's Northwick Park Hospital already at capacity with Covid-19 patients; however, significant amount of work and resources were being invested in supporting the situation.
- work around enforcement and ensuring public compliance with lockdown rules continued, with an overall good level of response and cooperation from Harrow residents and businesses observed.
- significant economic impact across the borough remained but the Council continued to work towards supporting local businesses through the provision of grants.
- good cooperation and response from schools. However, concerns over increased risk of transmission remained due to the higher number of schools were had remained open compared to previous lockdown.
- Council was investing in a number of key areas including:
    - lateral flow testing continued and extra funding from government had been extended until end of March 2021.
    - enforcement of rules and directing resources toward employment of Covid-19 marshals as well as ongoing communication and community engagement in order to break chain of infection.
    - vaccination programme – two primary care centres and one mass vaccination site (Byron Hall) had been set up. Social care

staff expected to be invited for vaccination in due course. A further mass vaccination site at Wembley was also going to open and would be available to Harrow residents. However, Council facing challenges around large scale availability of vaccines.

By way of conclusion, the Chief Executive acknowledged the challenge the pandemic had had on the council's workforce. He thanked all staff for continuing to work tirelessly throughout the pandemic and paid tribute to their ongoing dedication.

The Committee then heard a statement from the Portfolio Holder for Finance and Resources on the Council's budget for 2021/22. A number of key points were outlined:

- despite the challenges posed by the substantial financial loss and expenditure, the scale of uncertainty and pressure due to Covid-19 and the insufficient government funding which had led a significant budget gap, the Council had succeeded in producing a balanced budget for 2021/22, with no proposed front line service cuts;
- Government's spending review in November 2020 was changed from a 3 to 1-year period, which further underlined the level of financial uncertainty the Council was facing. This included several areas such as availability of funding, wider impact of Covid-19 on the Council's income and volatility due to fees and charges;
- following a recent government announcement on the adult social care precept, council tax across all of England had been levied at 5% on all council taxpayers.
- Majority of business grants were being paid out automatically or using discretion in an effort to support businesses, with the Council exploring further opportunities to support local residents and business.

Members thanked the Chief Executive and the Portfolio Holder for Finance and Resources for their statements. In the session which followed, questions centred around several key areas as set out below.

Q1: What was the cost to the Council for dealing with Covid-19 and how much of that cost had been refunded by the government so far?

The Portfolio Holder for Finance and Resources explained that the estimated cost for dealing with Covid-19 was constantly changing. Acknowledging the significant gap between the total impact on income and costs and the amount of support received, he stated that some detail had already been provided through the Quarter 2 financial report, which was included in the published agenda pack for the meeting, with more up to date information expected over the coming weeks as part of the Quarter 3 report.

The Director of Finance added that a total of £18.1 million in general emergency funding and £4.3 million in compensation from income loss funding had been received from the government to date. The funding was expected to increase and would be spent on essential services required for tackling the pandemic.

Q2: Taking into consideration that the total amount of direct government grant, not including business grants, is £27 million and the additional costs to the Council due to Covid-19 equate to £23 million, why is the Council still in a position where it claims that its costs had not been covered?

In response to the question, the Director of Finance stated that the amount of £27 million was money the Council had in grants. She continued by explaining that the government funding was split into two categories – general expenditure funding (including general emergency funding and compensation of loss) and a number of grants (e.g. business grants). Those grants were allocated for very specific areas of expenditure, which sat outside of the authority and did not replace money which had been lost in the budget for the year.

The total cost to the Council for dealing with the pandemic equated to £23 million, which did not include any new activities or projects the Council was currently undertaking. The information set out in Appendix 3 to the budget report showed the areas where the Council could spend money on and therefore put against the total budget. The money that the Council had spent so far and had an actual impact on its budget were covered in the emergency funding.

The Portfolio Holder for Finance and Resources added that the most recent update on the Council's costs was set out in the Medium Term Financial Strategy (MTFS) Update report, presented to Cabinet in October 2020, according to which the total financial impact prior to any government funding being received was £36 million. Subsequently the Council received £50 million in emergency funding and £4.7 million in compensation payments bringing the net impact of the pandemic to £60.7 million.

Noting the Member's concerns over tracking and understanding the exact impact of Covid-19 on the Council's budget gap, the Chair requested that officers undertake to prepare an analysis of an "alternative universe" including a comparison of what the Council would have spent in 2021 had it not been for Covid-19 versus what its current expenses were; what had the Council spent so far and the what proportion of that spending was from government funding and what from other areas; and impact of Covid-19 in current financial year versus total impact of Covid-19.

Q2 – With the Covid-19 crisis going on for over 10 months, what contingency plans does the Council have in place should the crisis continue?

The Chief Executive said that from a policy perspective it was difficult to know how the pandemic would unfold. The longer the crisis continued, the more resources would be required from the government to enable councils to respond adequately.

The Portfolio for Finance and Resources assured the Committee that Harrow Council was in a good position compared to other local authorities. However, he added that it was important to be prudent when setting the budget and focus on recovering some of the lost income as well as addressing the uncertainty over additional funding. He emphasised that the emergency reserves remained intact and the Council was determined to minimise use of any additional reserves.

Q3 – How do we know that key workers are genuinely "key"? What is the Council's human resources "forward plan"?

The Chief Executive acknowledged the significant debate on the topic. In terms of support to schools and parents, who were key workers, latest government guidance included a clear definition on what constituted a "key worker" and was seen as a step forward. However, the guidance had also posed a further strain on schools particularly around requirements over online learning and schools were much busier now than during the previous national lockdown with key worker parents more likely to send their children to school. He added that even though children were less likely to contract the virus, they were still able to transmit it to older people. Overall public compliance with the lockdown rules was good and majority of the people were acting responsibly.

In terms of the human resources aspect, the Chief Executive stated that there was no large-scale funding reductions or job loss envisioned in the budget proposals, except for some budgets in the Community Directorate where council's income projections did not match what had been delivered. As a result, there may be a need to change how some services were delivered and instigate a restructure, affecting only a small proportion of council staff, in order to better match income with expenditure budgets.

The Committee Member thanked the Chief Executive for his response and emphasised the importance of not losing sight of the human aspect/staffing issues.

The Committee also expressed their appreciation to the officers responsible for managing the business grants processes and acknowledged the improvement and positive feedback received.

Q4 – Comment on the importance of having consistency in figures and availability of the most up to date information for scrutiny.

The Director of Finance explained that some of the reserves mentioned in the report was money the Council had to have on its balance sheets but was not available for the Council to spend and therefore could not be considered as part of the general fund budget. Other general reserves were factored into the total figure which were available to use instead.

The Portfolio Holder for Finance and Resources noted that papers presented before the Committee were prepared back in October 2020 as part of the Council's regular reporting schedule. More up to date figures would be produced in the next few weeks as part of the Quarter 3 monitoring and final budget reports.

In terms of reserves, he added that some came from specific areas (e.g. CIL fund) and other were built through surpluses (e.g budget planning reserve). He reminded the Committee that the Council had set balanced budget for the next financial year without the need for service cuts or using emergency funds and defended the approach.

The Chief Executive stated that in most councils, the biggest impact of Covid-19 had been on additional costs and having to operate with less funds due to loss of income. Although the government did provide the Council with some funds by way of compensation, the total amount of resources in income replacement and grants did not match the amount of additional expenditure/loss income the Council had received. Whilst more emergency funding was expected to be provided for the next financial year, it was unlikely to be sufficient to balance the budget, so it was important for the Council to be prepared and set aside as much reserves as possible.

Q5 – Can separate tables for each of the different reserves be prepared to give better reflection of the actual reserves the Council has?

The Portfolio Holder for Finance and Resources noted the suggestion but stated that the Council needed to be careful in how it categorized its reserves.

Q6 –Why did the Council decide to use reserves in order to deliver a balanced budget, what reserves is it going to use and how would that impact on the overall budget stability?

The Portfolio Holder for Finance and Resources explained that having to use reserves was not unique to this year's budget and whilst the preference remained to retain as much of the reserves as possible, the Council was comfortable with its decision to use them if necessary. He explained to the Committee that a structural problem in local government existed and assured Members that Harrow was not an outlier in trying to bridge budget gaps every year. A contributing factor in the budget gaps was also adult social care (ASC). Although the government had promised a plan to address issues with ASC funding, it remained to be delivered.

The Director of Finance added that a major challenge for the Council in setting the budget for 2021/22 was doing so before the indicative government settlement had been received. This meant that the Council was forced to set a budget before knowing what funds it was going to get for the following year. As a result of this uncertainty, a decision was made to put some reserves in the budget with the intention to use the minimum amount possible.

The Chief Executive also noted the issues of practicality and complexity of dealing with Covid -19, as a result of which it was unlikely for the Council to achieve any savings in its budget. Acknowledging the gravity of taking such decision, he explained that using reserves instead of taking the cost out of the Council was agreed because of the uncertainty around future government funding but also because of the pressures arising from dealing with the pandemic.

Q7 – How much of the income had been lost from parking and how much of that was down to on-street parking bays taken out of action, particularly due to schemes such as StreetSpace?

The Portfolio Holder for Finance and Resources said that the StreetSpace scheme had had a minimum impact on parking income. Transport for London data showed significant reduction in number of journeys people made due to the pandemic, which resulted in limited use of council car parks and fewer penalty notices being issued.

Q8 – The Budget assumes a £2 million underspend for this financial year but the report refers to an overspend - can you give an confirm which is correct?

The Director of Finance confirmed that upcoming Quarter 3 figures were expected to report an achievable £2 million underspend in the Council's budget.

Q9 – The budget shortfall exceeds balance of remaining non-earmarked reserves – if this happens, is the Council effectively going to be bankrupt?

The Director of Finance acknowledged the challenges arising from the significant budget gap between guaranteed income and predicted expenditure coupled with the uncertainty over future funding but assured the Committee there was no risk in the Council going bankrupt. The Council was taking a proactive stance with the budget planning process playing a key role in managing potential shortfalls and plans were already being put in place in anticipation for the 2022/23 budget. If the gap exceeded the available reserves and action needed to be taken, the Council had several options at its disposal including an increase in Council Tax as well as taking a number of decisions on funding including Adult Social Care.

The Chief Executive said that the information set out in report was representative of what local authorities had been facing over the past decade. He noted that other factors such as change in political control and more recently Covid-19, could also have an impact on a council's budget. Current decision to use reserves was based on the assumption that more funding would be provided and that there would be an increase in income, but it was possible that further calibrations may need to be made later in the year. He assured the Committee that the Council was prepared to take difficult decisions in order to balance the budget if it thought that a bankruptcy situation could occur.

Q10 – What is the Council going to do about the budget shortfall and when, so it is not put in a position where it has to made drastic decisions?

The Portfolio Holder for Finance and Resources explained that the Council ended up in a similar position every year in order to achieve a balanced budget. The reason for this was prudent budgeting with projections of a slightly larger budget gap being made. He also acknowledged increasing amount of revenue coming from the government and said that additional funding would be available. He said that it was too early to make any decisions on the budget gap. More detailed proposals were expected by the summer when the Council would have a better understand of the financial situation as well as a better indication of the government's policy agenda and be able to act accordingly.

Q11 – Does the Council have sufficient capacity to bring forward proposals in good time to carry out the required consultations? What discussions has the Council had with the trade unions and other partners to deal with the budget gap in the coming years?

The Portfolio Holder for Finance and Resources and Director of Finance acknowledged that capacity across the Council was strained and any consultations had to be targeted. He noted that some consultations were already ongoing and expressed willingness to involve trade unions and other partners on any future major changes as early as possible. The Council was in the process of planning how to address financial challenges including targeting extra capacity.

Q12 – A Committee Member sought clarification on the following issues: 1) new homes bonus reversal and putting money back into the budget; 2) how much of the £100m approved for the investment income programme had been borrowed; and 3) is Harrow in line to benefit from the projected reduction in public works loan interest rates?

With regards to the new homes' bonus, the Director of Finance said that the grant would not be phased out as previously advised but would continue in some form.

With regards to the £100 million investment income, the Committee was informed that it had been removed from the budget due to challenges around securing investments which meet the criteria. The amount of £100 million was not borrowed by the Council and only one property had been purchased so far.

In response to the query on Public Works loans, the Committee was informed that the Council had not borrowed any money over the last twelve months. However, when it received its financial forecast and was in a position to take on new borrowings, it would ensure that it makes best use of the lower rates.

Q13 – How does the budget gap compare to other London boroughs? What is the Council doing to prioritise the government fair funding review?

The Portfolio Holder for Finance and Resources said that compared to other London boroughs Harrow sat on the lower end of the scale when it came to its reserves (circa £10m). However, its overall financial position was fairly strong not just because of its consistently prudent budgeting approach but also because it did not have to take large loans.

He noted the delays with regards to the Fair Funding Review and the London Council's concerns over its impact. He added that a balanced multi-year funding settlement was the most desirable outcome for all London boroughs but sub-division of the funds remained a major challenge as it depended not only on the total funds available but also on the specific needs of each borough. Harrow was closely engaged in the process and was in regular contact with London Councils and other London boroughs.

Q14 – Considering the size of the capital costs and the amount of spending on servicing the capital debt, what is the Council doing to bring down the level of debt in order to reduce its spending financing it?

In response, the Director of Finance said that the current Council's debt stood at £421 million. She assured the Committee that it was being managed carefully and the Council had not borrowed any money during the pandemic in order to keep capital financing costs down. Although the overall aim was to reduce the level of debt as much as possible, managing it was ultimately a balancing act between having sufficient funds for essential services provision but also keeping debt levels to a minimum through careful cash flow management.

Q15 – Can the Committee have an indication of how the Council's debt compares to other local authorities and when are the Council's projections for repaying it? Why 25% of the budget is going for re-servicing debt instead of providing services to residents?

The Director of Finance explained that it was common for local authorities to have a level of debt. In theory, for a Council to pay its debt off completely it would need to set a clear repayment strategy and make contributions over an agreed period of time. In reality, this was much more challenging, making it likely that a Council would retain a level of debt for the foreseeable future. Instead local authorities such as Harrow were focusing on maintaining an achievable level of debt that could be contained within the revenue account.

With regards to the amount of money going towards re-servicing the Council's debt, the Director of Finance stated that this was about £ 7 million and did not impact on the revenue accounts. She explained that the minimum revenue provision was an oddity in local government finance, with Councils required to set a notional amount within their budgets aside for loan repayment. Those funds were used to fund the debt, so the Council did not have to take up additional capital financing to fund that expenditure.

Q16 – What is the Council's position on the regeneration programme, how much of the original cost had been written off and what happens to that expenditure? Will there be any costs sharing and money coming back to Council?

The Director of Finance explained that the Council had been working on the abortive revenue costs from the old regeneration programme which were not relevant or viable within the new regeneration programme in order to ensure that the final level of write off was correct. Cost sharing on costs already incurred was unlikely, with any money previously charged to capital being transferred to the Council's revenue account.

While no specifics could be given on the exact level of write off at this stage, the Director of Finance said that more details were expected to be included as part of the Council's Financial Outturn report in June 2021.

Q17 – Noting the issues that London Borough of Croydon had experienced in managing its the regeneration scheme, what is the Council doing to prevent the same problem happening in Harrow?

The Director of Finance explained that Harrow's situation was different from Croydon in that it did not have its own trading entity to which to lend a huge amount of money to. She assured Members that the only loan Harrow had was made to the LLP Consortium, which managed a housing property on behalf of the Council. The loan given was just over £1 million and had already been paid off in full.

Q18 – Is the Council still expecting a level of income from the Depot's redevelopment? Why hasn't that income been kept in the budget? The Council didn't obtain planning permission for commercial use of the Depot, so can it still receive an income from it?

The Director of Finance explained that when the draft budget for 2021/22 was set, the income from the original depot target of £631 million had been removed on account that some income had been achieved from the Depot. The amount of money remaining in the budget that related to the Depot was approximately half a million. She added that part of the Depot would continue to be operational building and as such would generate some income to the Council.

The Director of Finance acknowledged the planning permission issues from the letting of the Depot for commercial purposes but confirmed that it related specifically to the recent two storey extension of the Depot.

Q19 - Can you confirm that the regeneration project will not cause a strain on the Council's budget and what kind of contingencies are planned should anything go wrong? With Council Tax going up again, what reassurance can you give to residents that core services will not be adversely affected?

The Director for Finance explained that whilst there was no guarantee that no pressures will arise, the new regeneration project was set up very differently from the previous. Under the new programme, the Council had formed a development partnership and would be working alongside a preferred bidder (Wates), with a strong focus on cost neutrality for some of the elements of the regeneration programme.

The Portfolio Holder for Finance and Resources stated that despite the challenging circumstances complaints on the provision of services were low and the Council was committed to maintaining its core services to the highest possible standard.

Q20 – How would you justify the decision to move some of the helplines online and doesn't that discriminate against those people who are less technologically competent or have no access to the internet? What is the Council doing to ensure that no one falls through the net?

The Portfolio Holder for Finance and Resources said the decision to move some services online had been largely welcomed. Significant energy and investment were being put into ensuring the Council was as easy as possible to transact with online (e.g launching a new more user friendly website) but also that the Digital Cohesion Strategy recognised the needs of those residents who couldn't use online services and offered sufficient alternative support through the use of libraries, one stop shop and advice services.

Q21 – Has any consideration been given to how Council Tax would be collected in a different environment, one which reflects rising levels of unemployment?

The Portfolio Holder for Finance and Resources acknowledged the impact of unemployment on council tax collection and the significant number of people who were now in receipt of council tax support. However, he reminded the Committee that since April 2020 the Council had taken a proactive stance and had been encouraging residents to pay their council tax, fully or partially or get in touch with the Council if requiring help. As a result, the overall council tax collection rate in Harrow was relatively good, with a number of residents benefiting from a discount.

He assured the Committee that the Council was committed to supporting council tax recipients and avoid the use of bailiffs whenever possible. A local strategy focusing on local investment and council tax recipients was being developed with more details to be provided over the coming months. A further positive development had also been the recent government increase in Universal Credit allowance which had been a lifeline for many people and the Council was determined to ensure the support was extended beyond end of March 2021.

Q22 – What does the Council do to steer people towards debt management where required?

The Portfolio Holder for Finance and Resources said that people who needed help were signposted to specialist local charities. Residents struggling with council tax payments were also being encouraged to contact the Council and arrange a personalised payment plan that best suited their circumstances.

Q23 – Does the Council Tax figure in the budget report include precepts expected from the Greater London Authority (GLA)? Does the furlough scheme affect council tax collection?

The Portfolio Holder for Finance and Resources said that GLA precepts were not included in the budget.

In terms of the impact of the furlough scheme, he stated that the scheme had made a significant difference to a number of groups, particularly to those who had experienced biggest changes in their financial circumstances.

Q24 – A Committee Member expressed their concerns about the health of residents and suggested that it be prioritised as part of the Council's overall health strategy across the borough.

The Portfolio Holder for Finance and Resources noted the Member's comments**.**

At the end of the question session the Chair thanked the Chief Executive, Director of Finance and Portfolio Holder for Finance and Resources for their attendance and responses. On behalf of the Committee, the Chair also expressed his gratitude to all council staff for their hard work throughout the pandemic.

RESOLVED: That the reports and responses received on the Council budget during the Question and Answer session, be noted.

For Information.

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Cabinet – 11 February 2021

Performance and Finance Scrutiny Sub-Committee – 14 December 2020

Minute Item 61 – Reports from the Director of Finance

Members received three reports from the Director of Finance. These were:

1) Revenue and Capital Monitoring 2020/21 - as at Quarter 2 (30 September 2020);

2) Draft Revenue Budget 2021/2022 and Draft Medium Term Financial Strategy 2021/2022 to 2023/2024; and

3) Draft Capital Programme 2020/2021 to 2023/2024.

RESOLVED: That the reports be noted.

For Information.

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Employees' Consultative Forum

Minutes

25 January 2021

Present:		
Chair:	Mr D Searles	
Councillors:	Camilla Bath Pamela Fitzpatrick John Hinkley Angella Murphy-Strachan	Mina Parmar Varsha Parmar Adam Swersky
Teacher Representatives:	Ms L Crimmins Ms A Lyons	- NEU - NAHT
Unison Representatives:	Mr J Royle	
GMB Representative:	Ms P Belgrave	
Apologies received:	Ann Jones	GMB
Absent:	Gary Martin	
In attendance:	Mr J Nobelmunn	Regional Organiser, Unison

Resolved Items

59. Draft Revenue Budget 2021/22 and Medium Term Financial Strategy 2021/22-2023/24

The Forum received a report of the Director of Finance which set out the draft revenue budget for 2021/22 and draft Medium-Term Financial Strategy (MTFS) for 2021/22 to 2023/24. The budget and MTFS would be submitted to Cabinet in February 2021 for final approval and recommendation to Council.

The Director of Finance introduced the budget report and explained that it had been challenging to produce due to uncertainties and as the Council had only received a one year, rather than three year, settlement. The draft budget had been prepared prior to the Council receiving its indicative settlement from the government. The report also advised the Forum that there was a proposed increase in Council Tax of 4.99% and the Director explained that Reserves of £6 million had been used to 'plug' the budget gap. She reassured Members that this figure would reduce to approximately £1 million when the final budget was reported to Cabinet in February 2021.

In response to a Member's question, the Director of Finance confirmed that 3% of the 4.99% increase in Council Tax was the Adult Social Care precept and that the Adults directorate was forecasting £6.3 million of pressures in 2021/22. In terms of the remaining 1.99%, the Director advised that the largest areas of growth were in Children Services placement costs and in the Community Directorate in terms of waste services. She advised that the underspend on the costs of Freedom Passes could be transferred into front line services for growth. The Portfolio Holder for Finance and Resources added that there were some priority areas, a whole programme of transformation as well as a focus on equalities work and the London Living Wage.

A Member questioned whether there was any likelihood that the Council would be considering cuts in services and the Portfolio Holder for Finance and Resources confirmed that there were no proposed cuts to front line services in the budget. He added that the Council was awaiting financial certainty for the future and that if the position remained the same at the end of the next financial year some cuts were to be expected as there was a limit to what services the Council could offer within the financial constraints it was under. The Council did not want to be in the position of serving a Section 114 notice.

A representative of Unison stated that he wished to repeat the question that he asked last year in that there was a rumour circulating at the Depot site that the Administration was considering outsourcing some services, including waste and gardening. The Portfolio Holder advised that the Council was investing in the Depot site and that he was keen to insource services where possible and wished to strengthen internal teams but added that some services would always be contracted out. He confirmed that there had been no discussion in terms of outsourcing waste and gardening services and this was endorsed by the Corporate Director of Community. The Corporate Director added that the Corporate Strategic Board were immensely proud of the work being undertaken by Depot staff, particularly during the ongoing pandemic, and was committed to strengthening the in-house service. He offered to discuss this issue with any members of staff that had concerns.

RESOLVED: That the report be noted and the comments made by the Forum be referred to Cabinet for consideration.

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Report for:	**Cabinet**
Date of Meeting:	11 February 2021
Subject:	Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Annual Capital Strategy for 2021/22
Key Decision:	Yes
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor Adam Swersky - Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	No (reserved to Council)
Wards affected:	All
Enclosures:	**Appendix A** - Legislation and Regulations Impacting on Treasury Management **Appendix B** - Treasury Management Delegations and Responsibilities **Appendix C** - Minimum Revenue Provision (MRP) Policy Statement **Appendix D** - Interest Rate Forecasts 2020/23 **Appendix E** - Economic Background **Appendix F** - Counterparties **Appendix G** - Capital Strategy 2020/21 **Appendix H** - Glossary

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement the Annual Investment Strategy and the Annual Capital Strategy for 2021/22.

Recommendation:
Cabinet is asked to:

1) Recommend to Council that the Treasury Management Strategy Statement for 2021/22 be approved, including:

   - Prudential Indicators for 2021/22
   - Minimum Revenue Provision Policy Statement for 2021/22, (see para 2.10 and Appendix C)
   - Annual Investment Strategy for 2021/22

2) Recommend to Council that the Annual Capital Strategy (Appendix G) be approved.

Reason: (for recommendations): To promote effective financial management relating to the Authority's borrowing and investment powers contained in the Local Government Act 2003, and supporting regulations and guidance detailed below:

- the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended),
- CIPFA Prudential Code and Treasury Management Code of Practice 2017
- MHCLG Investment and MRP Guidance 2018

Section 2 – Report

1. Introduction

1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4 CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code (The Prudential Code for Capital Finance in Local Authorities [CIPFA 2017 Edition]) and Treasury Management Code (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes [CIPFA 2017 Edition]), in setting Treasury and Prudential Indicators for the next three years and in ensuring that the Council's capital investment programme is affordable, prudent and sustainable.

1.6 The Act, the Codes and Department for Communities and Local Government Investment Guidance (2018) require the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy that establishes the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. A summary of the relevant legislation, regulations and guidance is included as Appendix A.

1.7 The budget for each financial year includes the revenue costs that flow from capital financing decisions. Under the Treasury Management Code, increases in capital expenditure should be limited to levels whereby increases in interest charges and running costs are affordable within the Council's budget.

1.8 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

1.9 The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Reporting Requirements

1.10 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement report (this report) - The first and most important report is forward looking and covers:

- the capital plans, (including prudential indicators)
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed)

Mid-Year Treasury Management Review Report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An Annual Treasury Outturn Report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Capital Strategy

1.11 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.12 The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy Report is set out in Appendix G.

1.13 The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet / Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMSC).

1.14 The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions. Further details of responsibilities are given in Appendix B.

Treasury Management Strategy for 2021/22

1.15 The strategy for 2021/22 covers the following areas:

Capital Issues (Section 2)

- Capital Financing Summary
- Capital Programme and Capital Prudential Indicators 2019/20 to 2023/24
- Council's Borrowing Need (Capital Financing Requirement)
- Capital Financing Requirement
- Minimum Revenue Provision (MRP) Policy Statement
- Core funds and expected investment balances

Borrowing (Section 3)

- Current and estimated portfolio position
- Treasury indicators: limits to borrowing activity
- Prospects for interest rates and economic commentary
- Borrowing strategy
- Treasury management limits on activity
- Policy on borrowing in advance of need
- Debt rescheduling
- New financial institutions as a source of borrowing and / or types of borrowing (if applicable)
- Approved sources of long and short term borrowing

Annual Investment Strategy (Section 4)

- Investment policy
- Creditworthiness policy
- Country limits
- Annual Investment Strategy
- Investment risk benchmarking
- End of year investment report

Other Treasury Issues (Section 5)

- Policy on the use of financial derivatives
- Brokers
- Member and Officer Training
- Policy on use of external service providers

1.16 These Treasury Management elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance. This Annual Treasury Management Strategy covers only those investments arising from the Council's cash flows and debt management activity. In accordance with the Code and recognised best practice guidelines, the security and liquidity of funds are placed ahead of investment return/yield. The power to invest is set out in the Local Government Act, Section 12Treasury management consultants

1.17 It is not considered necessary to produce a separate treasury management strategy for the Housing Revenue Account (HRA) in light of the co-mingling of historic debt and investments between HRA and the General Fund. Where appropriate, details of allocations of balances and interest to HRA are contained in this report.

2. Capital Issues

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.2 The figures and tables in this report are based on the final Capital Programme which is set out in a separate report to Cabinet.

Capital Expenditure

2.3 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

2.4 As part of the 2021/22 budget cycle and in light of the current financial situation coupled with slippage on schemes in previous years, Service Directorates carried out a review of the Capital Programme using a bottom up approach to ensure the capital programme represents capital investment that is necessary up to financial year 2023/24. Revised estimates for 2020/21 have also been included in the review due to the impact of the pandemic on this years capital programme.

2.5 Table 1 & 2 below show the planned capital expenditure and how it will be funded:

Table 1: Capital Expenditure 2019/20 to 2023/24

Capital expenditure £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
- Resources and Commercial	36,269	14,981	14,731	2,550	1,850
- People's	4,464	5,010	22,803	9,071	0
- Community	40,369	52,271	48,092	37,663	32,465
General Fund	**81,102**	**72,263**	**85,626**	**49,285**	**34,315**
HRA	**9,483**	**21,478**	**90,823**	**53,548**	**23,039**
Total	**90,585**	**93,741**	**176,449**	**102,833**	**57,354**

Table 2: Financing of Capital Expenditure 2019/20 to 2023/24

Financing of capital expenditure £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund					
Capital Receipts	2,530	2,133	2,641	2,550	2,550
Capital Grants	13,170	10,846	27,362	18,871	5,748
BCiL		4,321	4,027	1,750	3,410
NCiL		192	500	500	500
Section 106		1,159			
Revenue	8,770	41			
External Funding	**24,470**	**18,692**	**34,530**	**23,671**	**12,208**
Net financing need for year (GF)	**56,632**	**53,571**	**51,096**	**25,614**	**22,106**
HRA					
Capital Receipts	187	2,188	7,848	5,348	1,406
Capital Grants	3,697	7,868	21,488	9,815	3,796
Section 106	740	50	3,165	200	200
Revenue	4,860	10,010	12,143	5,914	8,008
External Funding	**9,483**	**20,115**	**44,644**	**21,278**	**13,410**
Net financing need for year (HRA)	**0**	**1,363**	**46,179**	**32,270**	**9,629**
Total net financing need for year	**56,632**	**54,933**	**97,274**	**57,884**	**31,735**

The Council's borrowing need (Capital Financing Requirement)

2.6 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.7 The CFR includes any other long term liabilities (e.g. PFI or finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a funding facility and so the Council is not required to borrow separately for them. The Council currently has £18.5m of such schemes within the CFR.

2.8 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

2.9 The Council is asked to approve the CFR projections below:

Table 3: Capital Financing Requirement

Capital Financing Requirement £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
CFR – General Fund	410,978	442,348	467,891	465,556	459,831
CFR – HRA	150,683	152,046	198,224	230,494	240,123
Total CFR	**561,661**	**594,393**	**666,115**	**696,050**	**699,954**
Movement in CFR	**44,129**	**32,732**	**71,721**	**29,935**	**3,904**

Movement in CFR represented by					
Net financing need for the year (table 2)	56,632	54,933	97,274	57,884	31,735
Less MRP/VRP and other financing movements	-21,986	-22,201	-25,553	-27,949	-27,831
Movement in CFR	**34,646**	**32,732**	**71,721**	**29,935**	**3,904**

Minimum revenue provision (MRP) policy statement

2.10 Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.

2.11 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require the Council to approve an MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. The Council is recommended to approve the statement as detailed in Appendix C.

2.12 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

2.13 MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory MRP, voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, it is recommended to disclose the cumulative overpayment made each year in a disclosure statement to full Council. As at 31st March 2020 the balance of VRP was £7.8m.

Core funds and expected investment balances

2.14 The application of resources (grants, capital receipts etc.) to finance capital expenditure or budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

2.15 The cash investment balance will be kept initially at approximately £30m. The working capital and borrowing position will be managed to maintain this level of cash balances.

3. Borrowing

3.1 The capital expenditure plans set out in Table 1 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

3.2 The overall treasury management portfolio as at 31 March 2020 and for the position as at 31 December 2020 are shown below for both borrowing and investments.

Table 4: Borrowing Portfolio

Borrowing Portfolio £'000	31-Mar-20			31-Dec-20		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
- PWLB	348,461	3.45%	37.04	348,461	3.45%	36.28
- Market	73,800	2.84%	42.69	73,800	2.84%	41.93
Total borrowing	422,261	3.34%	38.02	422,261	3.34%	37.27

Table 5: Investment Portfolio

Investment Portfolio £'000	31-Mar-20			31-Dec-20		
	Principal	Average Rate (%)	Average Life (days)	Principal	Average Rate (%)	Average Life (days)
- MMFs	1,615	0.35%	1	1,616	0.01%	1
- Banks	62,917	0.18%	4	84,515	0.01%	3
Total Investments	64,532	0.19%	4	86,131	0.01%	3

3.3 The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period. Table 6 below illustrates the actual position as at 31st March 2020 and 31st December 2020, compared to the upper and lower limits in place.

Table 6: Maturity Structure of Borrowing

Maturity structure of borrowing 2021/22	Lower Limit	Upper Limit	Actual 31.03.20	Actual 31.12.20
Under 12 months	0%	40%	10%	10%
12 months to 2 years	0%	30%	0%	1%
2 years to 5 years	0%	30%	1%	0%
5 years to 10 years	0%	40%	5%	5%
10 years and above	30%	100%	84%	84%

3.4 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. The expected change in borrowing has been calculated on the basis of maintaining an under borrowing position of £150m.

Table 7: Gross Debt v Capital Financing Requirement

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt					
Borrowing at 1 April	422,261	422,261	422,261	499,895	530,980
Expected change in borrowing	0		77,634	31,085	5,054
Other long-term liabilities (OLTL)	15,501	18,520	17,370	16,220	15,070
Expected change in OLTL	3,019	-1,150	-1,150	-1,150	-1,150
Actual gross debt at 31 March	**440,781**	**439,631**	**516,115**	**546,050**	**549,954**
CFR	**561,661**	**594,393**	**666,115**	**696,050**	**699,954**
Under / (over) borrowing	**120,880**	**154,762**	**150,000**	**150,000**	**150,000**

3.5 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.6 The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.7 The Prudential Code framework is a principles-based system whereby the Council should demonstrate that its capital plans are prudent, affordable and sustainable. One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 provides the expected trends based on the forthcoming capital programme, for both the General Fund and HRA.

Table 8: Ratio of Financing Costs to Net Revenue Stream

Ratio of financing costs to net revenue stream %	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund	18%	18%	20%	20%	20%
HRA	20%	20%	21%	24%	25%
Total	19%	18%	20%	21%	20%

Treasury Indicators: limits to borrowing activity

The operational boundary

3.8 This is the limit beyond which external debt is not normally expected to exceed. The boundary is based on the Council's programme for capital expenditure, capital financing requirement and cash flow requirements for the year.

Table 9: Operational Boundary

Operational boundary £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Borrowing	432,771	594,393	666,115	696,050	699,954
Other long term liabilities	15,501	18,520	17,370	16,220	15,070
Total	**448,272**	**612,913**	**683,485**	**712,270**	**715,024**

The authorised limit for external debt.

3.9 This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.

3.10 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.11 The Council is asked to approve the following authorised limit:

Table 10: Authorised Limit

Authorised limit £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Borrowing	587,820	624,393	696,115	726,050	729,954
Other long term liabilities		28,520	28,520	28,520	28,520
Total	**587,820**	**652,913**	**724,635**	**754,570**	**758,474**

Prospects for Interest Rates

PWLB Consultation

3.12 In response to concerns about commercial activity being undertaken by local authorities supported through borrowing from the PWLB HM

Treasury increase the margin over the Gilt applied to all PWLB borrowing on the 9th October 2019 from 0.8% to 1.8% above the Gilt.

3.13 In March 2020 HM Treasury reversed this for HRA borrowing (with reference to the HRA CFR) and announced a consultation on the future lending terms of the PWLB. The Governments response to the consultation was published in November 2020, and reversed the additional 1% margin imposed on General Fund borrowing subject to local authority's confirming that they have no purely commercial activity within their three year capital programme, which will come from data submissions of the capital programme accompanied by an assurance from the s151 officer. Subject to this criteria being met borrowing for both the General Fund and HRA is now back at a margin of 80bps above the Gilt.

3.14 The Council's Treasury Management Adviser, Link Asset Services, has provided the following interest rate forecast. Additional commentary on the prospects for interest rates, (Appendix D) and economic background, (Appendix E) are contained within the appendices to this report.

Table 11: Link Asset Services Interest Rate Forecast 2021-2024

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

3.15 As the interest forecast table above illustrates, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Borrowing strategy

3.16 As shown in paragraph 3.2 as at 31 December 2019 the Council had a debt portfolio of £422.261m and with an average maturity of 37.3 years. Despite historical low borrowing costs there remains a short-term cost of carrying excessive debt due to the differential between investment and borrowing costs.

3.17 The Council is currently maintaining an under-borrowed position, estimated to be £155m as at 31st March 2021. This means that the capital financing requirement has not been fully funded with external loan debt as internal cash balances have been used to finance the capital programme. This strategy is kept under review by the Director of Finance.

3.18 In terms of future borrowing, the Council has a range of funding sources available and will need to base its decisions on optimum borrowing times and periods taking into account current interest rates and likely future movements and the "cost of carry" (difference between rates for borrowing and rates for investments).

3.19 It may be necessary to use temporary borrowing either from the money markets or from other local authorities to cover mismatches in timing between capital grants and payments. However, with several Government grants now paid early in the financial year and robust daily monitoring of the cash flow position, the facility is unlikely.

3.20 Against this background and the risks within the economic forecast, caution will be adopted in the 2021/22 treasury management operations. The Treasury Management Group will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. This includes taking advice from Link, the Council's Treasury Management Advisers:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

3.21 The Council has previously adopted a single pooled approach for debt. Allocations to HRA are based on its CFR, with interest charged to HRA at the average rate on all external borrowing. Longer term, the HRA's ability to repay borrowing will depend on future revenues and the capital expenditure programme. New HRA debt taken from 2019/20 is maintained in a separate pool.

Policy on borrowing in advance of need

3.22 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.23 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

3.24 Rescheduling of current borrowing in our debt portfolio is unlikely to occur due to the differential in PWLB new borrowing and premature redemption rates and the premiums quoted by market providers in respect of the Councils remaining LOBO loans.

3.25 Any debt rescheduling opportunities will be reviewed and assessed in respect of providing a benefit to the Authority over the remaining life of the loan(s).

3.26 All rescheduling will be reported to Cabinet at the earliest meeting following the exercise.

Approved Sources of Long and Short term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4. Annual Investment Strategy

Investment policy

4.1 The Council's investment policy has regard to the following: -

- *MHCLG's Guidance on Local Government Investments ("the Guidance")*
- *CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")*
- *CIPFA Treasury Management Guidance Notes 2018*

4.2 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

4.3 The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Where relevant , minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix F under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

The Council acknowledges that both specified and non-specified investments may be subject to valuation changes, both positive and negative, prior to maturing. The Director of Finance will take all reasonable steps to ensure that day to day liquidity does not rely on the sale of such investments prior to maturity, and therefore that the Council is not exposed to realising any losses. Moreover, the Director will take measures to ensure that any potential unrealised gains or losses are proportionate to revenue budgets and reserves.

4.4 However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

4.5 The primary principle governing the Council's investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

4.6 It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

4.7 It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested. The Director of Finance will maintain a counterparty list in compliance with the criteria detailed in Appendix F and will revise the criteria and submit any changes to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.8 Where more than one rating is available the lowest common denominator will be used, unless in the opinion of the Director of Finance, or a delegated manager authorised under the Financial Services and Markets Act 2000 (FSMA), there is an overriding reason to favour or disregard a particular agency's view.

4.9 Credit rating information is supplied by the Treasury Management Adviser on all active counterparties that comply with the prescribed criteria detailed in Appendix F. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

4.10 The Council's criteria for an institution to become counterparty are detailed in Appendix F.

Country Limits

4.11 The Council has determined that it will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA-. The current UK sovereign rating is AA- or equivalent. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment Strategy

In-house Funds

4.12 The Council's funds are mainly cash derived primarily from the General Fund and HRA. Balances are also held to support capital expenditure. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

4.13 Since April 2011, pension fund cash balances have been held separately from those of the Council. However, a separate investment strategy has not been developed for the pension fund and all its cash is held on overnight call account with RBS and in separate money market funds.

4.14 As a result of the Council's strategy, cash balances available to invest and the interest rates available the only counterparties actively in use during 2020/21 have been Lloyds, Royal Bank of Scotland Group and Handelsbanken in addition to 2 MMFs Deutsche and Fidelity. The investment portfolio has inevitably remained concentrated with RBS and Lloyds with 90% of the total portfolio invested with them on 31st December 2020. When opportunities arise consistent with the Council's policies diversification will be sought.

4.15 As a route to diversification, along with additional improved service resilience, economies of scale and improved returns, the Council is considering joining a collective investment arrangement as part of a shared service with the GLA, managed by the GLA's investment subsidiary, London Treasury Limited, which is authorised and regulated by the Financial Conduct Authority.

4.16 The draft pooled investment strategy for this arrangement is included within Appendix F but is subject to the agreement of all participating authorities; the Director of Finance is authorised, having taken proper advice from Link or other suitably qualified advisor, to agree amendments to this, provided that the underlying exposures of any amended strategy do not breach the limits set out in Appendix F.

4.17 Authority has previously been given to place funds in 'non-standard investments' up to a value of £10m. This has been replaced by a 10% allocation to strategic investments.

Investment returns expectations

4.18 Link Asset Services Interest Rate Forecast suggests that Bank Rate is unlikely to rise from 0.10% for a considerable period and therefore investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

4.19 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2020/21: 0.10%
- 2021/22: 0.10%
- 2022/23: 0.10%
- 2023/24: 0.25%
- 2024/25: 0.75%

4.20 Link Asset Services further advise that:

- The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the pandemic and market reaction to the Brexit agreement.

- There is relatively little UK domestic risk of increases or decreases in Bank Rate and shorter term PWLB rates until 2023/24 at the earliest

Negative investment rates

4.21 While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

4.22 As for money market funds (MMFs), yields have continued to drift lower. Fund managers have resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, including the DMADF, offer nil or negative rates for short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

4.23 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days

4.24 These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

4.25 The Council is asked to approve the following treasury indicator and limit:

Table 12: Limit for sums invested over 365 days

Upper limit for principal sums invested for longer than 365 days			
£'000	**2021/22**	**2022/23**	**2023/24**
Principal sums invested for longer than 365 days	£60,000	£60,000	£60,000

Investment performance / risk benchmarking

4.26 This Council uses the current LIBOR rates as a benchmark to assess the investment performance of its investment portfolio. In addition the Council is a member of a Link Asset Services investment portfolio benchmarking group through which performance is measured against peer London authorities. The risk of default attached to the Council's portfolio is reported by Link Asset Services on a monthly basis.

4.27 The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to members accordingly.

End of year investment report

At the end of the financial year the Council will report on its investment activity as part of the Treasury Management Outturn Report.

5. Other Treasury Issues

5.1 A financial derivative is a contract, whose value is based on, or 'derived' from, an underlying financial instrument such as a loan. Local Authorities have previously been able to make use of financial derivatives embedded into loans and investments, both to reduce interest rate risk (e.g. forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

5.2 The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires local authorities to clearly detail their policy in the use of derivatives in the annual strategy. The Council does not intend to use standalone financial derivatives (such as swaps, forwards, futures and options). No change in strategy will be made without Full Council approval.

Brokers

5.3 The Council uses four brokers on a regular basis, as well as dealing directly with leading institutions. Wherever possible the Council will spread its business amongst them on a regular basis, though this may not always be possible. Brokers currently being used are:

- RP Martins
- Tradition
- BGC Sterling
- Imperial Treasury

5.4 The limited function performed by brokers is acknowledged; however the Council would expect to be informed if a broker had any doubts about an organisation that we were dealing with.

Training

5.5 The Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in this area. This especially applies to Members responsible for scrutiny.

5.6 The training needs of Treasury Management officers are periodically reviewed as part of the Learning and Development programme with appropriate training and support provided.

External Advisors

5.7 The Council has engaged Link Asset Services Treasury Solutions as its external Treasury Management Adviser.

5.8 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council ensures that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.

5.9 However, the Council recognises that responsibility for treasury management decisions remains with itself at all times and will ensure that undue reliance is not placed upon external service providers.

6. Implications of the Recommendations

6.1 The recommendations primarily relate to the requirements for the Council to comply with statutory duties. However, the content of the report, covering borrowing and investment strategy, has implications for the Council's ability to fund its capital projects and revenue activities.

7. Procurement Implications

7.1 There are no procurement implications arising from this report.

8. Legal Implications

8.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

9. Financial Implications

In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget.

10. Performance Issues

10.1 The Council meets the requirements of the CIPFA Code of Practice for Treasury Management and therefore is able to demonstrate best practices for the Treasury Management function.

10.2 As part of the Code the Council must agree a series of prudential indicators and measure its performance against them. These indicators and performance are detailed in the report and reported to Council

11. Environmental Impact

11.1 There are no direct environmental impacts.

12. Risk Management Implications

12.1 Risk included on corporate or directorate risk register? **Yes**. Contained on Resources Directorate risk register Risk 9: Loss of an investment/deposit

12.2 Separate risk register in place? **No**

12.3 The relevant risks contained in the register are attached/summarised below. **Yes/No**

12.4 The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	**Mitigations**	**RAG Status**
Cash not available when needed	▪ Working capital and borrowing position designed to maintain the required level of cash balances ▪ The balance of debt and investment operations ensure liquidity ▪ The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy.	Green
Sums invested result in a loss	▪ The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.	Amber
Council's capital investment programme is not affordable, prudent or sustainable	▪ One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 ▪ Limits on borrowing activity ▪ The Council is currently maintaining an under-borrowed position, estimated to be £155m as at 31st March 2021.	Green
VFM is not achieved	▪ The Council will monitor the yield from investment income against appropriate benchmarks for investment performance. ▪ Regular monitoring of investment performance will be carried out during the year.	Green

Provision made in the General Fund for debt is not prudent	▪ MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. Appendix C.	Green
Too many loans mature in one period impacting on ability to refinance risk	▪ The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period.	Green
Borrowing is undertaken for revenue or speculative purposes	▪ Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years	Green
Exceptional levels of volatility in PWLB rates	▪ The Council's Treasury Management Adviser, Link Asset Services, has provided an interest rate forecast (Table 11). ▪ There is expected to be little upward movement in PWLB rates over the next two years however from time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.	Amber
Default on Council Loans	▪ The risk of default attached to the Council's portfolio is reported by Link Asset Services on a monthly basis. ▪	Green

12.5 The identification, monitoring and control of risk are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice notes approved by the Treasury Management Group.

13. Equalities Implications/Public Sector Equality Duty

13.1 There is no direct equalities impact.

14. Corporate Priorities

14.1 This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities:

- Improving the environment and addressing climate change
- Tackling poverty and inequality
- Building homes and infrastructure
- Addressing health and social care inequality
- Thriving economy

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 08/02/2021

Statutory Officer: Chris Cuckney
Signed on behalf of the Monitoring Officer
Date: 08/02/2021

Chief Officer: Charlie Stewart
Signed off by the Corporate Director
Date: 08/02/2021

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 08/02/2021

Head of Internal Audit: Susan Dixson
Signed by the Head of Internal Audit

Date: 08/02/2021

Mandatory Checks

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

EqIA carried out: NO

EqIA cleared by:

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Director of Finance and Assurance, dawn.calvert@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NOT APPLICABLE (decisions reserved to Council)

APPENDIX A

LEGISLATION AND REGULATIONS IMPACTING ON TREASURY MANAGEMENT

The following items numbered 1 - 4 show the sequence of legislation and regulation impacting on the treasury management function. The sequence begins with primary legislation, moves through Government guidance and Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice and finishes with implementation through the Council's own Treasury Management Practices.

1. Local Government Act 2003

Link: **Local Government Act 2003**

Below is a summary of the provisions in the Act dealing with treasury management.

In addition, the Secretary of State is empowered to define the provisions through further regulations and guidance which he has subsequently done through statutory instruments, Ministry of Housing, Communities and Local Government Guidance and CIPFA Codes of Practice.

Power to borrow
The Council has the power to borrow for purposes relevant to its functions and for normal treasury management purposes – for example, to refinance existing debt.

Control of borrowing
The main borrowing control is the duty not to breach the prudential and national limits as described below.
The Council is free to seek loans from any source but is prohibited from borrowing in foreign currencies without the consent of Treasury, since adverse exchange rate movements could leave it owing more than it had borrowed.
All of the Council's revenues serve as security for its borrowing. The mortgaging of property is prohibited.
It is unlawful for the Council to 'securitise', that is, to sell future revenue streams such as housing rents for immediate lump-sums.

Affordable borrowing limit
The legislation imposes a broad duty for the Council to determine and keep under review the amount it can afford to borrow. The Secretary of State has subsequently defined this duty in more detail through the Prudential Code produced by CIPFA, which lays down the practical rules for deciding whether borrowing is affordable.
It is for the Council (at a meeting of the full Council) to set its own 'prudential' authorised limit in accordance with these rules, subject only to the scrutiny of its external auditor. The Council is then free to borrow up to that limit without Government consent. The Council is free to vary the limit during the year, if there is good reason.

Requirements in other legislation for the Council to balance its revenue budget prevent the long-term financing of revenue expenditure by borrowing. However the legislation does confer limited capacity to borrow short-term for revenue needs in the interests of cash-flow management and foreseeable requirements for temporary revenue borrowing are allowed for when borrowing limits are set by the Council.

The Council is allowed extra flexibility in the event of unforeseen needs, by being allowed to increase borrowing limits by the amounts of any payments which are due in the year but have not yet been received.

Imposition of borrowing limits
The Government has retained reserve power to impose 'longstop' limits for national economic reasons on all local authorities' borrowing and these would override authorities' self-determined prudential limits. Since this power has not yet been used the potential impact on the Council is not known.

Credit arrangements
Credit arrangements (e.g. property leasing, PFI and hire purchase) are treated like borrowing and the affordability assessment must take account not only of borrowing but also of credit arrangements. In addition, any national limit imposed under the reserve powers would apply to both borrowing and credit.

Power to invest
The Council has the power to invest, not only for any purpose relevant to its functions but also for the purpose of the prudential management of its financial affairs.

Guidance
The Act contains a requirement for the Council to have regard to guidance:

- Issued directly by the Secretary of State
    - *MHCLG Investment Guidance*
    - *MHCLG MRP Guidance*
- Other guidance the Secretary of State may refer to through regulations
    - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
        - *CIPFA Prudential Code*
        - *CIPFA Treasury Management Code of Practice*

2. Ministry of Housing, Communities and Local Government Investment Guidance (2018)

The Guidance recommends that for each financial year the Council should prepare at least one Investment Strategy to be approved before the start of the year. The Strategy must cover:

- **Investment security**

  Investments should be managed prudently with security and liquidity being considered ahead of yield

Potential counterparties should be recognised as “specified” and “non-specified” with investment limits being defined to reflect the status of each counterparty

- **Investment risk**

  Procedures should be established for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
  The use of credit ratings and other risk assessment processes should be explained
  The use of external advisers should be monitored. The training requirements for treasury management staff should be reviewed and addressed
  Specific policies should be stated as regards borrowing money in advance of need

- **Investment Liquidity**

  The Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed

The Strategy should be approved by the full Council and made available to the public free of charge. Subject to full Council approval, or approved delegations, the Strategy can be revised during the year.

3. Ministry of Housing, Communities and Local Government Minimum Revenue Provision Guidance (2018)

Minimum Revenue Provision (MRP) is the mechanism by which capital expenditure funded though prudential borrowing is charged to revenue over time. The aim of MRP is to align the charge to revenue over a period which the capital expenditure provides benefit.

Before the start of each financial year the Council is required to approve an MRP Policy Statement specifying how it will make prudent MRP during that year. Subject to full Council approval, the MRP Policy Statement can be revised during the year.

4. Treasury Management in the Public Services: CIPFA Code of Practice (2017) and Guidance Notes (2018)

The primary requirements of the Code are:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.

- Creation and maintenance of Treasury Management Practices ("TMPs") that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

5. CIPFA Prudential Code (2017) and Guidance Notes (2018)

The CIPFA Prudential Code is a framework developed to support local strategic planning, asset management and options appraisal. The objectives of the Prudential Code are to ensure that the Council's capital expenditure plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code sets out a number of indicators which demonstrate the impact of the approved capital programme. The latest published version in 2017 introduced a new requirement for local authorities to produce an annual Capital Strategy, which sets out the long-term context in which capital expenditure and investment decisions are made.

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GARMSC, the Section 151 officer, the Treasury Management Group the Treasury and Pensions Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

Council

Under the Constitution, the Council is responsible for “decisions relating to the control of the Council’s borrowing requirement.”

It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Cabinet

Under the Constitution, the Cabinet “will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.”

It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

Governance, Audit, Risk Management and Standards Committee

GARMSC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

Director of Finance (Section 151 Officer)

Under S151 of the Local Government Act 1972 the Council “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.” At Harrow, this responsibility is exercised by the Director of Finance.

The Director is responsibility for implementing the policies agreed by the Council and Cabinet.

Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

Treasury Management Group

Comprises Director of Finance, Head of Strategic and Technical Finance (Deputy S151 Officer), Treasury and Pensions Manager, Senior Finance Officer and is responsible for:

- Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
- Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
- Approving changes to treasury management practices and procedures;
- Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Link Asset Services);
- Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
- Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

Treasury and Pensions Manager

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Management Strategy Statement and CIPFA's "Standard of Professional Practice on Treasury Management"

Treasury Team

Headed by Senior Finance Officer with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group

Minimum Revenue Provision (MRP) Policy Statement

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2015 for the subsequent 50 years.

- For all capital expenditure financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.

- In some cases where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.
- The regulations allow the Council to charge VMRP, which can be used to reduce future MRP by the same amount. A change introduced by the revised MHCLG MRP Guidance is that the voluntary MRP must be disclosed in a statement to the full council in order to reclaim it in future years as deemed necessary and prudent. As at March 2020, the VRP is £7.8m.
- Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

- Freehold land cannot properly have a life attributed to it, so for the purposes of Asset Life method it will be treated as equal to a maximum of 50 years. But if there is a structure on the land which the authority considers to have a life longer than 50 years, that same life estimate will be used for the land.

- As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

- Repayments included in annual PFI or finance leases are applied as MRP.

- Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

- Under Treasury Management best practice the Council may decide to defer borrowing up to the capital financing requirement (CFR) and use internal resources instead. Where internal borrowing has been used, the amount chargeable as MRP may be adjusted to reflect the deferral of actual borrowing.

APPENDIX D: Link Asset Services: Interest Rate Forecasts 2020 – 2024.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Interest Rate Forecasts

Brexit. The interest rate forecasts provided by Link above were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to

its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

APPENDIX E

Economic Background

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor due to base effects from twelve months ago falling out of the calculation, and so is not a concern. Looking further ahead, it is also unlikely to be a problem for some

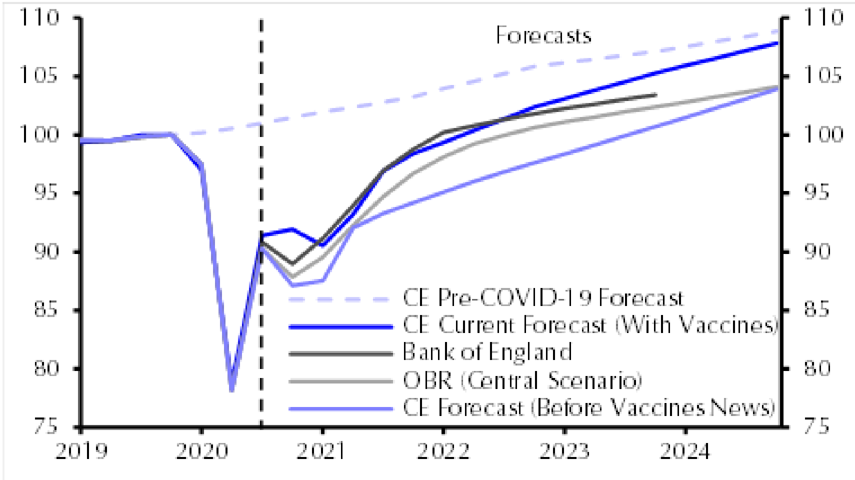
years as it will take a prolonged time for spare capacity in the economy, created by this downturn, to be used up.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level.

- **Vaccines – the game changer.** The Pfizer announcement on 9th November of a successful vaccine has been followed by approval of the Oxford University/AstraZeneca and Moderna vaccines. The Government has a set a target to vaccinate 14 million people in the most at risk sectors of the population by 15th February; as of mid-January, it has made good, and accelerating progress in hitting that target. The aim is to vaccinate all adults by September. This means that the national lockdown starting in early January, could be replaced by regional tiers of lighter restrictions, beginning possibly in Q2. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines have radically improved the economic outlook so that it may now be possible for GDP to recover to its pre-virus level as early as Q1 2022. These vaccines have enormously boosted confidence that **life could largely return to normal during the second half of 2021**. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant risk is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development, and vaccine production facilities are being ramped up around the world.

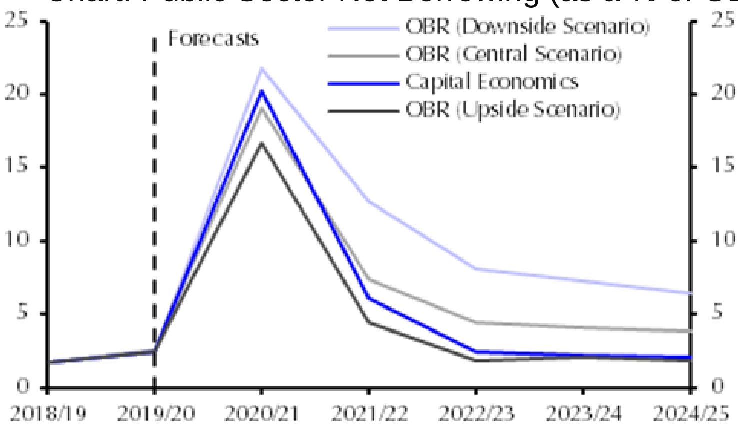
Chart: Level of real GDP (Q4 2019 = 100)



(if unable to print in colour…... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade, would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a **reversal of globalisation** as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, **digital services** are one area that has already seen huge growth.

- **Brexit.** The final agreement of a trade deal on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while vaccines are a positive development, in the eyes of the MPC at least, the economy is far from out of the woods in the shorter term. The MPC, therefore, voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The Democrats gained the presidency and a majority in the House of Representatives in the November elections: after winning two key Senate seats in Georgia in elections in early January, they now also have a very slim majority in the Senate due to the vice president's casting vote.

President Biden will consequently have a much easier path to implement his election manifesto. However, he will not have a completely free hand as more radical Democrat plans may not be supported by all Democrat senators. His initial radical plan for a fiscal stimulus of $1.9trn, (9% of GDP), is therefore likely to be toned down in order to get through both houses.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, individual states might feel it necessary to return to more draconian lockdowns.

- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and declining in December, and retail sales dropping back. The economy is set for further weakness into the spring. **GDP growth** is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed’s meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that **inflation** will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has seriously affected many countries. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With **inflation** expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand and the pace of recovery in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

Counterparties and approved investments

Specified Investments
These are sterling investments with high credit quality of a maturity period of not more than 365 days, or those which could be for a longer period but where the lender has the right to be repaid within 365 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.

Non-Specified Investments
Non-specified investments are any other type of investment (i.e. not defined as Specified above).They normally offers the prospect of higher returns but carry a higher risk.

The Director of Finance will make best efforts to maintain at least 50% of all investments in the form of Specified Investments.

Table 1 sets out the range of specified and non-specified investments permitted by the Council. This has been expanded from previous years to give the Council flexibility to join a collective investment arrangement with the GLA should this be agreed. The table uses the following key:

S = Specified
NS = Non Specified
NS* = Non Specified, only used under delegation to a professional manager properly authorised under the Financial Services and Markets Act.

The draft GLA collective investment strategy is as follows:

		Allocation	Expected Rate
Core Liquidity: Managed with a weighted average life of 90 days	Overnight liquidity	10%	0.00%
	Local Authority <12mths	15%	0.10%
	Banks <12mths	30%	0.10%
Medium term: Weighted average life < 3years	Senior RMBS	35%	0.70%
Long term core balance	Other Strategic Investments	10%	4.00%
		100%	0.69%

This is subject to collective agreement by the participating authorities, currently the GLA, the London Fire Commissioner (LFC), the Mayor's Office for Policing and Crime (MOPAC), the London Legacy Development Corporation (LLDC) and the London Pensions Fund Authority (LPFA). Should the Council join, agreeing the strategy with the other participants is delegated to the Director of Finance, provided the limits in Table 1 are not exceeded.

Subject to the above, this strategy authorises the Director of Finance to invest up to 100% of cash alongside the GLA and also delegates the legal form of such investment to the Director, provided the underlying risk and reward reflects approved instruments.

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of forecast daily balance
Senior Unsecured Debt, e.g. • **Deposits** • **Call Accounts** • **Notice Accounts** • **Certificates of Deposit** • **Loans** • **Commercial Paper** • **UK Gilts and T-Bills** • **All other senior unsecured bonds**	Issuer (and security where separately rated) Investment Grade (IG) defined per **Table 3** OR UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) OR Issuer not meeting general criteria but instruments explicitly guaranteed by IG entity or sovereign national government meeting acceptable sovereign	S	NS	Aggregate 100%, individual limits determined by tables

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of forecast daily balance
	ratings per **Table 2**.			
Money Market Funds	Fitch AAA_{mmf} or above See **Table 3** for equivalents from other agencies. Daily liquidity	S	*N/A*	100% *Not more than 20% per fund*
Other Collective Investment Schemes e.g. Enhanced Cash Funds	Fitch AAA_{f} or equivalent from other agencies per **Table 3.**	NS	*N/A*	20%
Senior UK Prime or Buy to Let Residential Mortgage Backed Securities (RMBS)	Bond rating Fitch $AA+_{sf}$ or above or equivalent from other agencies per **Table 3**.	NS*	NS*	35%
Covered bonds	Bond rating Fitch $AA+_{sf}$ or equivalent from other agencies per **Table 3** AND Issuer rated Fitch A- or above or equivalent from other agencies per **Table 3**	NS*	NS*	20%
Repurchase Agreements (Repo)	Counterparty meets senior unsecured criteria AND proposed	S* – UK gilts or T-Bills AND Counterparty meets	*Not permitted.*	S – 100% NS – 20%, and not more than 10%

Investment type	Eligibility criteria	≤ 1 year to maturity at time of investment	> 1 year to maturity at time of investment	Maximum total exposure as a proportion of forecast daily balance
	collateral (Min 100%) itself meets permitted investment criteria Or Collateralisation is >102% with UK Gilts / T-Bills	senior unsecured criteria NS* – other		with counterparties not meeting senior unsecured criteria.
Other strategic investments (only to be held within authorised and regulated funds)	Any sterling-denominated investment with risk and return characteristics appropriate to the collective investment arrangement and mutually agreed by all participants.	NS*	NS*	10%

<u>Credit Ratings and Country Limits</u>

Maximum exposures to non-UK financial institutions apply by country, based on the relevant sovereign ratings outlined in the table below:

Table 2 – Country Limits

Max. Aggregate Exposure (%)	Fitch Sovereign Rating	S&P Sovereign Rating	Moody's Sovereign Rating
25	AAA	AAA	Aaa
15	AA+	AA+	Aa1
5	A	A	A

Note: for non-UK, non-financial institutions, or in circumstances such as an instrument being issued through a subsidiary domiciled in one country but

guaranteed or otherwise secured by a parent in another, the risks and appropriate country limit (if any, in the case of multinational corporations) in which to aggregate the exposure will be considered on a case by case basis and determined by the Director of Finance or delegated manager.
Table 3 sets out the range of investment grade ratings used by the Council and its investment managers.

Table 2 - Permitted credit ratings and equivalence mappings:

Issuer and/or Senior Unsecured Bond Ratings					
Long term			**Short term**		
Fitch	**Moody's**	**S&P**	**Fitch**	**Moody's**	**S&P**
AAA	Aaa	AAA			
AA+	Aa1	AA+			
AA	Aa2	AA	F1+	P-1	A-1+
AA-	Aa3	AA-			
A+	A1	A+			
A	A2	A	F1	P-1	A-1
A-	A3	A-			
BBB+	Baa1	BBB+			
BBB	Baa2	BBB	F2	P-2	A-2
Structured Finance Ratings					
Fitch		**Moody's**		**S&P**	
AAA_{sf}		Aaa (sf)		AAA (sf)	
$AA+_{sf}$		Aa1(sf)		AA+ (sf)	
Money Market Fund Ratings					
Fitch		**Moody's**		**S&P**	
AAA_{mmf}		Aaa-mf		AAAm	
Other Permitted Fund Ratings					
Fitch		**Moody's**		**S&P**	
AAA_{f}		Aaa-bf		AAAf	

Lower ratings are balanced be higher ones in order to maintain credit risk on rated instruments that is no greater than a 12 month deposit with AAinstituition. This is determined by assigning a credit factor to each rated investment, per **Table 4** and calculating a weighted average portfolio credit factor (PCF). This must remain below 5 and no single instrument may exceed 10.

Table 4 – Credit Factors

Credit Factors based on Issuer Default Rating (Fitch and Fitch Equivalents) Use instrument rating or if not rated, rating of Issuer.									
Days	AAA	AA+	AA	AA−	A+	A	A−	BBB+	BBB
O/N	0.01	0.01	0.01	0.01	0.02	0.03	0.04	0.07	0.10
2-7	0.02	0.04	0.06	0.10	0.15	0.20	0.30	0.50	0.80
8-30	0.10	0.15	0.25	0.40	0.60	0.75	1.30	2.10	3.50
31-60	0.20	0.30	0.50	0.80	1.20	1.50	2.60	4.20	7.00
61-90	0.25	0.50	0.75	1.25	1.50	2.50	5.00	7.50	10.00
91-120	0.35	0.65	1.00	1.50	2.30	3.30	6.60	10.00	13.50
121-150	0.40	0.80	1.25	2.10	2.90	4.20	8.30	12.50	16.50
151-180	0.50	1.00	1.50	2.50	3.50	5.00	10.00	15.00	20.00
181-210	0.60	1.20	1.75	3.00	4.00	5.80	11.70	17.50	23.50
211-240	0.70	1.30	2.00	3.30	4.70	6.60	13.30	20.00	27.00
241-270	0.75	1.50	2.25	3.75	5.25	7.50	15.00	22.50	30.00
271-300	0.80	1.70	2.50	4.20	5.80	8.30	16.70	25.00	33.50
301-330	0.90	1.85	2.75	4.60	6.50	9.20	18.50	27.50	37.00
331-397	1.00	2.00	3.00	5.00	7.00	10.00	20.00	30.00	40.00
398-730	2.70	5.30	8.00	13.00	19.00	27.00	43.00	69.00	106.00

For the purposes of the above, UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) securities are treated as AAA, reflecting the UK's highly centralised and interdependent public finance regime.

Enhanced limits apply for these counterparties and institutions covered by Link Asset Services' Colour Banding Methodology:

Table 5 – Concentration Limits

Cash Exposure Limits – applied to individual counterparties		
Band	**Overnight**	**> 1 day**
UK Sovereign	100%	100%
Yellow	50%	25%
Purple	50%	20%
Orange	25%	15%
Red	25%	10%
Green	10%	5%
No Colour	5%	5%

The Bands above are calculated based on a range of credit ratings data, including published rating Watches and Outlooks.
The Council's own bank has an emergency overnight limit of 100%, to allow for unexpected payment events.

APPENDIX G

Capital Strategy 2021-22

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Section 1 – Principles of the CAPITAL STRATEGY

1. Introduction

In December 2017, the Chartered Institute of Public Finance & Accountancy issued a revised Prudential and Treasury Management Code, requiring all local authorities to produce a Capital Strategy report from 2019/20 onwards to show:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

This capital strategy meets the requirement by setting out the Council's capital investment programme and how it contributes to the achievement of strategic priorities being refreshed through the Borough Plan, while considering resource availability and the wider financial context. It is intended to be supportive of the Council's other strategy framework documents.

2. Objectives

The strategy details show how the Council sets out its priorities for Capital investment including links to existing delivery plans and strategy documents. It also considers the ways in which capital expenditure may be financed, including the impact that the Strategy has on the budgets of both the General Fund and the Housing Revenue Account (HRA). The strategy will also set out the links with Treasury Management objectives and determine the authority's approach to risk in those objectives.

This document is part of the Council's business planning process from both a financial and service perspective. It sets out a framework whereby the authority's capital resources can be effectively allocated to those projects which may help the Council achieve wider corporate objectives, protect existing assets and support financial sustainability.

Principles of the Capital Strategy

1. Capital Investment is a vital tool in delivering strategic priorities.

2. The Capital Programme will include only these schemes in accordance with the agreed criteria.

3. The Council will consider schemes purely to generate a commercial return to support
the budget.

4. The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability.

5. The funding of the Capital Programme must be considered alongside the revenue budget and balance sheet position as part of the Council's Medium Term Financial Strategy (MTFS).

6. Capital projects will be monitored and reported to Cabinet on a quarterly basis.

3. Background

As part of its wider treasury management objectives the Council must have regard to the “Prudential Code for Capital Finance in Local Authorities” (henceforth to be referred to as the Prudential Code), as produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The 2017 revision of the Prudential Code introduces the requirement for authorities to produce a Capital Strategy from 2019/20. It is a live document underpinning the Council’s Capital Programme and therefore will be subject to amendment.

4. Capital Expenditure

Capital Expenditure is that which is incurred on the acquisition, creation or enhancement of an asset. These assets can be tangible such as buildings or vehicles, as well as intangible such as software products.

5. The link between Revenue and Capital

Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital expenditure must be reflected in revenue budgets. Therefore this capital strategy should be deemed to form a key part of the authority’s medium term financial planning process.

The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans in the revenue budget.

The following table sets out some of the key impacts of capital expenditure upon the revenue budget.

Revenue Savings

•Direct Income from assets •Reduced maintenance costs of new or improved assets •Savings in labour costs **Revenue Costs** •Running costs of new assets •Minimum Revenue Provision (loan principal) •Interest costs from borrowing

As an indication of the current cost of the existing capital programme, the table below shows the capital financing costs that are already factored into the existing MTFS for 2020/21 to 2023/24 in relation to the existing and historic capital programmes:

	2020/21	**2021/22**	**2022/23**	**2023/24**
General Fund	**£000**	**£000**	**£000**	**£000**
Capital Financing Costs	30,786	32,452	36,983	38,053
Capital Financing Costs as % of 2020/21 Net Budget	18%	19%	21%	22%

6. The Purpose of Capital Investment

Investment through capital expenditure may serve a number of purposes; these can typically be classified as being related to service priorities and commercial investments.

Commercial investments are those which are entered into with the explicit objectives of returning a surplus for Council and therefore improving the financial sustainability of the Council. These may include:

- Acquisition of Property to deliver a commercial return, usually through rental
- Investments in outside organisations with the view to making a return
- Investments which neither deliver a financial return nor achieve a service objective for the Council should not be considered for inclusion on the Capital Programme.

7. Existing Capital Priorities

Service directorates were invited to bid for capital resources, as part of their service proposals for 2020/21 to 2023/24.

In view of the current financial climate and reduced external funding service directorates were asked to limit new capital proposals to the following categories:

a. Life and Limb/Health and Safety.
b. Statutory Requirement/legislation.
c. Schemes fully funded by external sources.

d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a net contribution to the MTFS).

The update Capital Programme 2020/21 to 2023/24 will be approved by Cabinet/Council in February 2021.

8. Use of Commercial Investment

The Council took its Investment Property Strategy to Council in December 2015. Under this strategy the Council has incurred £47m to 31 March 2020 on commercial investments. In July 2019 the Council approved £100m Capital Programme borrowing to finance long term commercial investment as part of the 2 Year Budget Strategy 2021/22 to 2021/22. As at 31 March 2020 £6.4m of the £100m approval had been applied to the purchase of commercial property. The remaining £94m has been removed from the Capital Programme as reported in the Final Capital Programme report and the Final Revenue Budget report 2021/22 which are both reported to cabinet in February 2021.

9. Asset Management

Asset Management is the process by which the authority considers whether its assets are appropriate to deliver the high quality services demanded by residents. This process may identify a number of different outcomes for assets including:

- Change in use to meet the demands of a service
- Investment is required to improve the condition of an asset
- A new asset is required to better meet the Council priorities
- The need to dispose of the asset to realise its value in monetary terms

The Council will use active asset management to consider both its current asset base and its future asset base. The capital programme will be used to bridge the gap to ensure that the authority has sufficient assets in the long term.

10. Capital Disposals

The asset management process may determine that the value of an asset is best realised through disposal. Sale of assets should be through an open market process to determine the best value.

Cash received from a sale of a property is a capital receipt. The use of these funds is restricted to purchasing new assets or repayment of existing debt. The Council will not make decisions about the ring-fencing of capital receipts before amounts are known and the use of such receipts has been considered in the light of the Council’s overall financial position.

The existing General Fund capital programme includes a limited amount of capital receipts in relation to two regeneration schemes – Haslam House and Waxwell Lane. The HRA capital programme includes assumptions on levels of right to buy receipts as well as other capital receipts.

11. Multi-Year Capital Projects

Capital projects deliver assets which will provide services and/or income to the Council for a number of years. As a result of the significance and complexity of a number of these projects they may take a number of years to plan and deliver.

When setting the Capital Programme Council will approve the schemes to be included, the budget for their delivery and the timescale in which they are to be achieved. Unless schemes have clearly defined development and delivery phases with separate objectives, budgets and timescales Council should be asked to approve a budget to cover the whole of the project being delivered. Approval of the entire budget at the point of inception gives certainty for the project and assists officers in ensuring delivery.

The budget for approval will include an expected cash flow projection showing how much of the anticipated project budget will be incurred in each year of the Capital Programme. Any variations in timing of cash flows between years will be reported as part of the budget monitoring process. This should be regarded as part of the normal development of a capital project.

12. Use of capital receipt flexibilities

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to send up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially offered for the three years 2016/17 to 2018/19 but was extended as a part of the 2018/19 Finance settlement for a further 3 years from 2019/20 to 2021/22.

The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016. From November 2016, Cabinet approved a number of asset disposals and the capital receipts from these disposals are being applied within the new flexibilities. In 2019/20 £3.1m of capital flexibilities were applied in the budget. For 2020/21 there was no planned use of capital flexibilities set out in the budget. The 2021/22 Final budget report sets out the use of £2m for the financial year 2021/22.

Section 2 – <u>SELECTING, APPROVING AND MONITORING CAPITAL SCHEMES</u>

13. The Importance of Capital Business Cases

The processes described in the following section are to be regarded as the authority's formal procedures for setting and monitoring capital projects. This process has been developed to ensure that the Council's Capital Programme contains schemes which are in line with objectives, meet its asset management requirements and are both affordable and deliverable. This process will give elected members confidence that decisions they are being asked to make regarding the capital programme have been based on a sound system of decision making.

All capital schemes included in the Capital Programme have been the subject of an evaluation process including a business case to ensure the Council can target its capital resources effectively.

14. Information to be considered in Capital Decision Making

When making decisions as to which schemes are included on the capital programme the presented business case must include information on these main factors.

- Financials – All anticipated costs and potential revenue streams must be set out. This should include risk analysis to show factors which may impact upon those numbers and where appropriate sensitivity analysis to show potential future scenarios.

- Strategic Objectives – As discussed capital schemes must meet Council priorities and the ability of a scheme to impact upon objectives must be clearly demonstrated. This should include the wider social and environmental impact of the capital project. This must be accompanied by evidence supporting the conclusions made.

- Capacity - All capital schemes, even those funded by external sources, require officers within the Council to implement them and this must be considered as part of the appraisal process. Where a project requires the procuring of additional resource to deliver the scheme this detail must be included in the financial analysis.

- Deliverability - The success of capital projects depends not just on the financial and non-financial resources of the Council. External factors which impact on the deliverability of the project should also be considered as part of the planning process.

15. Governance of the Capital Programme

This strategy sets out the governance relationship relating to the Capital Programme and the respective role of Members and Officers in relation to the decision making process. The roles of the various groups are as follows.

Decision making on the Capital Programme is likely to be an iterative and often circular process with information flowing both ways between these respective groups.

As an example the following timescale may be followed for producing the Capital Programme during the main budget setting process.

Council

•Formally agrees the Capital Programme

•Receives budget monitoring reports covering financial and non-financial elements of capital schemes

•Approves commercial capital investments

Capital Forum

•Allows panel a chance to comment on capital schemes before formal approval of releasing the funding approved as part of the Capital Programme

Corporate Team

•Reviews Business Cases submitted

•Performs initial sift of viable schemes

•Approves proposed list of capital schemes

Service Managers / Heads of Service

•Identify priorities and opportunities for capital investment

•Act as, or appoint, project managers to lead on schemes and complete outline business cases

16. In-Year Capital Decisions

Selecting projects to go onto the Capital Programme must remain possible outside of the usual capital budget setting process. The authority needs the flexibility to take advantage of schemes which present themselves at any stage during the year.

17. Monitoring Capital Projects

Effective monitoring of projects is a vital element of good capital governance.

Capital projects are often significant not only in terms of financial resources required but in terms of organisational capacity, impact upon Service delivery and reputational risk. It is therefore vital that there is sufficient monitoring carried out upon schemes to allow stakeholders to be informed of progress and for members and officers to make decisions as required.

In order to meet these requirements the Corporate Team prepare quarterly monitoring report showing the current spend against capital projects, the forecast for the end of the financial year include the underspend or slippage into the following year at the end of each financial quarter, with an outturn report at year-end.

Cabinet receive quarterly information on the progress of capital projects as part of the quarterly finance update.

Section 3 - <u>FINANCING THE CAPITAL PROGRAMME</u>

18. Capital Funding

There are a number of distinct sources of funding which can be utilised to finance capital expenditure. Some funding sources are ring fenced and can only be used for Housing Revenue Account capital expenditure, or a particular capital project. Consideration of funding must be made when projects are at the planning stage. No capital project will be put forward without funding having been identified to complete the project. Where capital schemes are in multiple phases, perhaps requiring an initial development phase to ensure funding for the final phases, this will be considered as part of the planning stage and clearly reported.

Capital funding cannot be used to fund revenue costs which may arise from a capital scheme such as consultant's costs on feasibility before a project is identified.

19. Capital Resources

Capital Receipts

The sale of assets with a value of more than £10,000 generates income known as capital receipts. Legislation requires these to be spent on either new capital investment or the repayment of existing debt. The government is allowing some flexibility in the use of capital receipts up until 31 March 2022 to fund revenue costs of transformation projects where these are expected to generate revenue savings in future years.

HRA Right to Buy compulsory sale of council houses generate receipts that may be retained to cover the cost of transacting the sales and to cover outstanding debt on the property sold, but a proportion of the remainder must be surrendered to Central Government.

All other HRA capital receipts may be retained provided they are spent on affordable housing, regeneration or paying off housing debt.

General Fund capital receipts can be retained in full. These can arise from the sale of land and buildings, vehicles, plant and equipment, and also through the repayment of loans or grants.

An active asset management planning process is needed to review the asset requirements of the Council and therefore to identify surplus assets which may be sold to generate capital receipts.

Prudential Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes. A preferential Certainty Rate of interest is allocated to Councils who apply for it and it is the policy of this Council to take advantage of the certainty rate each year.

For all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government "supported borrowing" allocations and related revenue support.

The Council is only able to borrow for Prudential Borrowing, under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council. As part of the Treasury Management Strategy each year full Council approves a limit for affordable borrowing and capital schemes will be considered in the light of that limit.

20. External Funding

Capital Grant from Government or Government Agency

Central government and government agencies provide capital grant funding that can be either ring fenced or non-ring fenced. Examples of ring fenced grants that the Council has received are disabled facilities grants (DFG's) and Heritage Lottery Fund (HLF) funding.

Community Infrastructure Levy (CIL)

Any monies received from developers for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities.

The process for allocating CIL funds will be in accordance with the process agreed by Cabinet

Community Infrastructure Levy (CIL) Funding

The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

Regulation 123 List

The following table comprises Harrow Council's Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education facilities	Early years, primary and secondary schools
Health services	GPs, acute healthcare
Social care	Supported accommodation
Emergency services	Police, Ambulance and Fire Services
Cultural and community facilities	Libraries and community halls
Improvements to public open space	Parks, natural green space, civic space and green corridors and green grid
Improvements to biodiversity	
Public recreation and leisure facilities	Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and burial space	
Strategic transport facilities	Roads, buses, cycling, rail and underground
Strategic flood mitigation	

Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.

A report was presented to the Major Development Panel (MDP) on 14th November 2017, recommending that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft in December and in February in its final version. The recommendations from the Major Development Panel (MDP) report were agreed by Cabinet on 7th December 2017 which agreed:

- *the allocation of the Borough Community Infrastructure Levy (CIL) be included as part of the Annual Budget Setting process and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget);*

- Specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. The final decision on what projects are funded from the agreed NCIL allocations will be delegated to the Divisional Director – Regeneration and Planning, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation

. The recommendation for NCIL was as follows:

(i) *the broad allocation of Neighbourhood CIL be agreed as part of the Capital Programme (based on available funds at the time and allocated as per 3(i) and 3(ii) above), and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget).*

(ii) *Once the broad allocation of NCIL is agreed as part of the Capital Programme, individual projects put forward by the relevant Directorates / Ward Members be assessed against the criteria outlined in section 7 of the MDP report (including the extent of consultation and level of community support), with the final decision on what projects were funded from the agreed CIL allocations being delegated to the Divisional Director of Regeneration and Planning, following consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation.*

The Borough CIL element will be used to fund the core Capital programme and can be considered as a funding source for new capital bids as well as existing projects in the Capital programme.

In addition to the principles already reached on how CIL funding should be used to fund the capital programme, in light of the budget gaps in future years, it was recommended by Cabinet in December 2018, that CIL should be **first** be applied to any schemes in the existing capital programme rather than applying it to new schemes. The rationale for this is that if applied to schemes that are currently funded from borrowing, by funding from CIL instead, this will reduce the existing capital financing costs.

Section 106 Agreements

Developer consents may attract Section 106 funding to spend on a particular asset or site as an alternative to CIL.

Capital contributions from partner organisation

When capital projects are devised it is open for project managers to invite funding from a range of partner organisations.

Revenue contributions Services who are leading a capital project may make savings within their revenue budgets during a particular year and in some circumstances use that saving to part-fund a capital project.

21. Policy on use of Capital Funding

The Council will look to use external funding sources where possible to meet the funding requirements of its capital programme.

Where the use of Council resources are required the authority will look to utilise reserves, revenue funding or capital receipts as these create no long term revenue cost implications on the Council.

Borrowing will be used as the last possible source of funding and should be restricted only to those schemes which generate sufficient savings or income to meet the costs of interest and the Minimum Revenue Provision.

Any borrowing incurred to support the provision of new build housing within the Housing Revenue Account must be demonstrated to be affordable over a period of 30 years.

22. Relationship between Capital Strategy and Treasury Management

Treasury management refers to the processes of managing and reporting on the Council's performance in matters of investment and borrowing.

The Council's policy on Treasury Management has numerous links to the Capital Strategy. It is not intended that this Strategy replace the reporting requirements of the Treasury Management Strategy and includes a summary of the major points of that strategy and associated governance processes.

Key Treasury decisions are the responsibility of full Council and are contained within the Treasury Management Strategy.

These include:

- Approved limits on borrowing
- Limits for investment types and counterparty limits
- Planned capital expenditure
- Estimates for the future Capital Financing Requirement
- Policy on the Minimum Revenue Provision

Detailed discussion on these matters is delegated to the GARMS Committee who then makes recommendations to Cabinet. The key impact of a capital programme using borrowing is the creation of a "Capital Financing Requirement" (CFR). The CFR represents the need to borrow external funds as a result of expenditure funded through borrowing. Having a CFR creates the need for a Minimum Revenue Provision (MRP), a sum to be put to one side each year from the General Fund for repayment of debt.

The Council's MRP policy is to make provision for the repayment of debt equally over the life of the asset that the borrowing relates to The Audit and Standards Committee receive at a minimum a mid-year monitoring report for Treasury management and an end of year outturn report. Where circumstances require, such as a material fall in the value of investments, a report would be prepared and presented to the next meeting of the Committee by the S151 Officer.

Section 4- RISK MANAGEMENT

23. Embedding Risk Management in the Capital Programme

The Capital Strategy must be considered alongside the principles of risk management. Risks are inevitable within a capital programme, as with all aspects of Council operations, and effective management of risk is a vital part of the capital strategy.

The types of risk the authority is exposed to in the Capital Programme are summarised below:

- Financial Risk – The risk of significant cost overruns or commercial investments not performing as expected. The authority has a low appetite for this risk as it would impact upon available resources. Mitigation will be in the form of close scrutiny of capital spending through the budget monitoring process.

- Strategic Risk – The risk of not delivering key Council priorities or projects. Mitigation will be in the form of careful selection and planning of capital projects before commencement and project managers reviewing project progress and taking corrective action where necessary. Major changes in the outcomes of schemes will be reported to the appropriate Committee.

- Governance risk – The risk of capital spending decisions not being appropriately considered and decisions not being made at the correct level. Mitigation is the governance principles contained within the capital strategy.

- Resourcing risk – The risk that insufficient funds are available to fund the capital programme or that the incorrect type of funds is applied to capital projects. This is mitigated by the financing of capital projects being reviewed by the S151 Officer as part of the budget setting and the outturn.

24. Knowledge and Skills within the organisation

The Property Services team has officers of multiple disciplines who are experienced at leading capital projects, managing the Council's property portfolio and working within the local property market. They have experience of dealing with acquisitions, disposals, new commercial and residential development and redevelopment of brownfield sites.
The Finance team are involved in the development and monitoring of the Capital Programme. They have many years of experience in managing local authority capital programmes.

Legal Services will be provided by the Council's in-house legal team who will form a key part of the decision making around Capital projects. All solicitors are required to complete an annual Statement of Competence to the regulatory body to ensure any professional training needs are identified and addressed.

Where necessary external advice may be sought for all types of financial, property and legal advice. These costs, or at least appropriate estimates, will be included in the business cases of capital schemes.

Officers will work with members to ensure that training needs for elected members are appropriately identified. As a minimum annual training will be provided around the Treasury Management Strategy.

Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **Bail-In** – previously, in response to the banking crisis, some governments used taxpayer funds to support banks in danger of failing. The European Union's Banking Recovery and Resolution Directive (BRRD) requires that, in future, 'bail in' will be applied in such a scenario; this means that after shareholders' equity, depositors' funds comprising balances over c£85k will be used to support the bank at risk. The £85k threshold is not available to local authorities and therefore all unsecured deposits with banks and building societies will be at risk of 'bail in'.

- **Base Rate** – minimum lending rate of a bank or financial institution in the UK

- **Bond** – a government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.

- **Capital Expenditure** – spend on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.

- **Capital Grants** – specific targeted grants to cover capital spend

- **Capital Receipts** – the proceeds from the disposal of land or other assets. Capital receipts can be used to fund capital expenditure but cannot be used to finance revenue.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's and Moody's. They analyse credit worthiness under four headings:

- **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
- **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
- **Individual/Financial Strength Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank or national government.
- **Legal Support Rating** - a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.
- The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal is eroded, and so the total amount reduces with each instalment.

- **Gilts –** the name given to bonds issued by the UK Government (i.e. the loan instrument by which the Government borrows). Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt, e.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45.The yield on that gilt is calculated as 8%/1.45 = 5.5%.

- **Lender Option Borrower Option (LOBO)** - LOBOs are a long term borrowing instrument commonly used by banks. It is an alternative lender option to the Government's Public Works Loan Board. In simple terms the instrument gets its name because the lender has an option to set revised interest rates at predetermined dates, and at which point the borrower has the option to accept the revised rates or pay the debt in full without penalty.

- **LIBID** – The London Interbank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time. The average 7 day rate is the benchmark the Council uses for its own investment performance.

- **Liquidity** – Relates to the amount of readily available, or short term, investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Market –** The private sector institutions e.g. banks, building societies.

- **Maturity** - Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Minimum Revenue Provision (MRP) –** A statutory amount charged to the Council's revenue account for the provision to repay the loan principal on debt undertaken to finance the Capital Programme. For the Council this is done on a straight line basis in-line with the asset life and commences the financial year after the asset is operational.

- **Monetary Policy Committee (MPC)** – group that sets the bank base rate for the Bank of England.

- **Money Market Fund (MMF)** – A highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments.

- **Multilateral Development Banks (MDB)** – these are supranational institutions set up by sovereign states, which are their shareholders (e.g. European Investment Bank). Their remits reflect the development aid and cooperation policies established by these states.

- **Policy and Strategy Documents** – Documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as an Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Yield** – The amount in cash (in percentage terms) that returns to the owners of an investment e.g. interest earned from a deposit.

Harrow COUNCIL LONDON

Report for:	**Cabinet**
Date of Meeting:	11th February 2021
Subject:	Final Capital Programme 2020/21 to 2023/24
Key Decision:	Yes - involves expenditure in excess of £1m
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor Adam Swersky - Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Proposed Capital Programme 2020/21 to 2023/24 (including new additions at Appendix 2) Appendix 2 – Net Capital additions to the Capital Programme

Section 1 – Summary and Recommendations

This report sets out the proposed Capital proposals for the financial years 2020/21 to 2023/24

Recommendations:

1. Cabinet is requested to recommend the capital programme, as detailed within Appendix 1, to Council for approval.

Reason: To enable the Council to have an approved Capital Programme for 2020/21 to 2032/24.

Section 2 – Report

Capital Programme 2020/21 to 2023/24

1. This report sets out the Council's proposals for Capital investment over the financial years 2020/21 to 2023/24, which provide for significant investment in the General Fund and Housing Revenue Account (HRA).

2. **Development of the Capital Programme**
Each year as part of the Annual Budget setting process services are requested to put forward proposals for new Capital required for the following 3 years.

3. Generally, the preparation of the Capital Programme looks at the 3 years ahead and not the current financial year (2020/21) but in order to fulfil the requirement for a full review, the current financial year of 2020/21 was also included as part of the review, so that services could better set out the likely spend for the current year given the situation with COVID-19 which put a halt on many Capital projects for several months.

Cost of the Existing Capital Programme

4. The Capital Programme can be funded from a variety of funding sources. Where the Capital Programme is funded from capital grants, external partnership funding, Borough Community Infrastructure Levy (BCIL) and revenue funding such as reserves; this will not attract any form of capital financing cost and has no impact on the revenue budget. Schemes funded from borrowing, will attract a capital financing cost and therefore a direct impact on the revenue budget.

5. Although there are no specific limits to borrowing in order to fund capital expenditure, the Council must be prudent when considering the revenue implications in the context of the overall revenue budget commitments in the medium term and the Capital Programme must be affordable.

6. Table 1 shows the capital financing cost budgets that are already factored into the existing MTFS from 2019/20 to 2021/22 in relation to the Capital Programme agreed in February 2020 and also what proportion of the 2020/21 net revenue budget of £174.8m is made up of Capital Financing costs.

Table 1 - Capital Financing Costs as % of the Net Revenue Budget as at 2020/21 Budget Setting

	Capital Financing Costs	Capital financing costs as % of 2020/21 Net Budget
	£m	%
2020/21	31.8	18%
2021/22	38.7	22%
2022/23	43.6	25%

7. The capital financing cost of the existing Capital programme 2020/21 to 2022/23 (**agreed at Council last year in February 2020**) is £31.8m in 2020/21 and then increases to £43.6m by 2022/23. These figures also relate to the cost of historic capital programmes.

8. In addition, the figures will also include capital financing costs which relate to projects put into the programme to generate enough revenue to cover their capital financing costs and therefore are cost neutral and do not impact on the revenue budget as a direct cost. Some of these projects totalling approximately £128m are being removed from the Programme as set out in paragraphs 12 and 13 and Table 3, and the capital financing costs in Table 1 will therefore reduce accordingly.

Capital proposals put forward 2020/21 to 2023/24

9. The proposed Capital Programme for 2020/21 to 2023/24 is detailed in Appendix 1. The list of changes proposed within the programme, which is over and above what was in the existing Capital Programme (agreed February 2020) is detailed in appendix 2. Table 2 sets out the total proposed Capital Programme.

Table 2 – Total Capital Programme 2020/21 to 2023/24

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Total Resources and Commercial Directorate	14,981	100	14,881	14,731	0	14,731	2,550	0	2,550	1,850	0	1,850	34,112	100	34,012
Total People's Directorate	5,010	4,337	674	22,803	22,033	770	9,071	9,071	0	0	0	0	36,885	35,441	1,444
Total Community Directorate	52,271	14,255	38,016	48,092	12,497	35,595	37,663	14,599	23,064	32,465	12,208	20,256	170,491	53,560	116,931
Total General Fund	72,263	18,692	53,571	85,626	34,530	51,096	49,285	23,671	25,614	34,315	12,208	22,106	241,488	89,101	152,387
Total HRA	21,478	20,116	1,362	90,823	44,644	46,179	53,548	21,277	32,271	23,039	13,410	9,629	188,888	99,447	89,441
Total General Fund + HRA	93,741	38,808	54,933	176,449	79,174	97,275	102,833	44,948	57,885	57,354	25,618	31,735	430,376	188,548	241,828

10. The gross value of the General Fund proposed capital programme for 2020/21 to 2023/24 as detailed in Appendix 1 and summarised in Table 2 is **£241.488m.** **£89.101m** of the total is funded by external sources such as grants as well as internal sources such as the Borough Community Infrastructure Levy (BCIL). This leaves a net cost of **£152.387m.** The net cost figure is the element of the Programme which requires financing from borrowing.

11. In preparing the proposed Capital Programme, services reviewed the need for investment according to the criteria set out below and also reviewed a number of schemes which had been included in the Programme on an invest to save basis, but which were no longer feasible and therefore there projects have been removed:

    a. Life and Limb/Health and Safety.
    b. Statutory Requirement/legislation.
    c. Schemes fully funded by external sources.
    d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).

Overall change to the Capital Programme

12. Overall, the net increase in the Programme is £10.4m as set out in Appendix 2. However, projects which were originally put into the Capital Programme on an invest to save basis and have now been removed or reduced, total a reduction of (£127.7m). Therefore, the net movement is a reduction in the Capital Programme of (£117.3m).

13. The projects that that have been removed were either built into the Programme on a cost neutral basis, where the capital financing costs were met by income, or on a net income generating basis, where the scheme should result in a net revenue stream to the Council. The reductions in both capital financing costs and the income streams have also been removed from the revenue budget and included in the draft Revenue budget 2021/22 and MTFS 2021/22 to 2023/24.

14. The Property Acquisition Programme is shown in table 3 as 2 entries as there has been a reduction in the budget of £4.5m and an addition of Right to Buy receipts of £9.873m as a funding resource which has reduced the requirement for borrowing by a total of £14.4m.

15. The following table sets out changes (apart from slippage of projects between years) between the existing Capital Programme (which covers the period 2020/21 to 2022/23) and the proposed programme which extends a further year to 2023/24.

Table 3 - Changes to the Capital Programme

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Net Capital Additions (Appendix 2)	-6,879	3,347	2,404	11,510	10,382
<u>Removal of Invest to save projects</u>					
Resources					
Investment properties	-94,407				-94,407
Community Directorate					
Unmanned aerial Vehicles	-400				-400
Development of Vernon Lodge	-9177				-9,177
Probation Centre	-5000				-5,000
Vehicle Acquisitions	-7234	60	136	2731	-4,307
Property Acquisition Programme - budget removed from Programme			-4500		-4,500
Property Acquisition Programme - contribution from Right to Buy receipts and therefore reduction on net cost	-2,435	-8,838	-4550	5,950	-9,873
Total	125,532	-5,431	-6,510	20,191	117,282

Capital Programme changes and impact on the Revenue Budget

16. The proposed General Fund Capital Programme of £241.488m is funded by borrowing as well as other funding sources such as grants, revenue funding and the Borough Community Infrastructure Levy (BCIL). The total of the other funding sources (excluding borrowing) amounts to £89.101m. Of this total, the element funded by BCIL is £13.558m which is summarised below and set out in Table 7:

- **£2.000m** for Flood Defence and Highways Drainage
- **£0.016m** for Headstone Manor Parks for People project
- **£0.373m** for Playground Infrastructure
- **£3.154m** for the Harrow Arts Centre
- **£0.520m** for Greenhill Library
- **£0.635m** for the Green Grid Programme
- **£3.650m** for the High Street Fund
- **£0.500m** for the Headstone Manor Flood Alleviation Scheme
- **0.900m** for the Wealdstone Major Transport Project
- **£1.760m** for the Wealdstone Future High Street Fund
- **£0.050m** for Sudbury Hill step free access

17. The additional capital financing cost associated with the proposed Capital Programme is £694k in total. In effect this is the cost of the net increase of £10.4m. Of the £694k, £470k of this cost is in 2023/24, with a further £224k increase in 2024/25 which is outside the existing MTFS period. Therefore, a further £224k needs to be factored into the budget for 2024/25 as part of next year's 2022/23 budget process.

Table 4 – Additional Capital Financing Implications Proposed Capital Programme

Capital Financing Costs	Annual costs
	£000
2023/24 Impact	470
2024/25 Impact	224
Total Capital Financing Costs	694

Community Infrastructure Levy (CIL) Funding

18. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However, the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

19. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123.

20. Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated, and these projects should support the development of the area.

21. In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and recommended to Cabinet that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft (in December each year) and in February in its final version.

22. In terms of the Neighbourhood element of CIL specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. The final decision on what projects are funded from the agreed NCIL allocations was delegated to the Divisional Director – Regeneration and Planning*, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Resources. *The current delegation is with the Interim Chief Planning Officer.

23. The Borough CIL element is used to fund the core Capital programme. Schemes in the Capital Programme that have been funded by BCIL to 2019/20 are set out in Table 5 and total £8.078m.

Table 5 – Schemes funded from BCIL up to 2019/20

Financial year	**Description**	**Actual BCIL applied**
		£'000
2017/18	Highway projects	4,800
2018/19	Headstone Manor (Parks for People)	284
2018/19	Rayners Lane Triangle project	40
2018/19	Parks Infrastructure (Playground replacement)	545
2019/20	Parks Infrastructure (Playground replacement)	227
2019/20	GGF Round 2 - HAC modular buildings	72
2019/20	Flood Defence	300
2019/20	Highway Drainage	200
2019/20	Green Grid	40
2019/20	New Town Centre Library	1,570
	Total	**8,078**

24. Table 6 sets out the CIL funding received to 22nd January 2021 showing that £6.652m of BCIL and £1.856m of NCIL is available to date to fund projects from 2020/21 onwards:

Table 6 – CIL Funding available as at 22 January 2021

	BCIL	NCIL	Total
	£'000	£'000	£'000
Balance as at 31.3.2020	5,627	1,683	**7,310**
20/21 Receipts (up to 22/01/2021 as per SAI	1,025	173	**1,198**
Total Balance (up to 22/01/21)	**6,652**	**1,856**	**8,508**

25. The projects in the new Capital Programme for 2020/21 to 2023/24, to be funded from BCIL is £13.558m as set out in Table 7 which shows the spend over financial years.

Table 7: Schemes funding from BCIL from 2020/21 to 2023/24

Capital programme commitments:	2020/21	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000	£'000
Flood Defence and Highway Drainage	500	500	500	500	2,000
Headstone Manor (Parks for People)	16				16
Parks Playground replacement	373				373
HAC project GGF Round 2	1,677	1,177			2,854
New Town Centre library	520				520
Green Grid	185	150	150	150	635
High Street Fund	250	1,300	1,100	1,000	3,650
Headstone Manor Flood Alleviation scheme	500				500
Wealdstone Major Transport Infrastructure		900			900
Wealdstone Major Transport Infrastructure project - Liveable Neighbourhood					0
HAC Capital Infrastructure	300				300
Sudbury Hill step free access	50				50
Wealdstone Future High Street Fund				1,760	1,760
Total Commitments	**4,371**	**4,027**	**1,750**	**3,410**	**13,558**

26. The total funding currently available of BCIL amounts to £6.652m as set out in Table 6. The total requirement for BCIL funding for the Capital Programme is £13.558m. This means a further £6.906m of BCIL is needed between the remainder of this current financial year of 2020/21 and the 3 years 2021/22, 2022/23 and 2023/24.

27. The impact of COVID-19 has seen the BCIL receipts drop from an average of £2.4m pa to only £1.025m to date this financial year. In order to fund the commitments in the Capital Programme an average of £2.3m is required pa for the next 3 years 2021/22 to 2023/24. Based on years prior to 2020/21 (which has been greatly impacted by COVID-19), achieving £2.3m pa would be considered a reasonable assumption. If this estimated level of BCIL is not received, then it would be necessary to fund the schemes from other sources or remove them from the Capital Programme. If the

alternative source is borrowing, then this will impact upon future year's budgets as it will increase the cost of borrowing and impact the revenue budget.

Housing Revenue Account (HRA)
The proposed HRA Capital Programme is set out elsewhere on the agenda in more detail but also included in Appendix 1. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget.

Options considered

28. A number of capital proposals are considered during the budget setting process.

Legal Implications

29. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the authority's policy framework which are proposed by the cabinet and this includes the capital programme. Under B41 the Director of Finance is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

Financial Implications

30. Financial matters are integral to the report. The capital financing costs of all capital investment must be provided for within the revenue budget.

Procurement Implications

31. There are no procurement implications arising from this report.

Performance Issues

32. The capital programme proposed represents a significant investment by the Council in infrastructure. This will have an impact on a range of performance indicators across the Council's services.

33. Monitoring of the approved programme is ongoing and is essential for good financial management.

34. It is proposed that a performance target is set of 90% of the approved budget to be spent in year. Having approved an investment programme it is important that the programme is then substantially delivered in the planned timeframe, in line with member priorities.

Risk Management Implications

35. Risks included on corporate or directorate risk register? **/No**

36. Separate risk register in place? **/No**

37. The relevant risks contained in the register are attached/summarised below. n**/a**

38. The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	**Mitigations**	**RAG Status**

A significant consideration in developing the programme has been the risks arising from not keeping our infrastructure in good order. Not doing so would lead to an increase in health and safety risks and additional costs in replacing assets when they deteriorate too much to repair.	Two of the key criteria for including projects in the capital Programme are those projects that are needed to ensure that we continue to invest in our capital assets to cover to ensure the Council meets it's requirements for both Life and Limb/Health and Safety requirements and to fulfil the Council's Statutory and legislative duties.	
The cost of the Capital programme is not affordable.	The additional cost of this Capital programme has been factored into the Revenue Budget and is included in the Final Revenue Budget report set out elsewhere on the agenda and is therefore affordable.	
The risk that the required level of BCIL does not materialise.	As the Capital programme is an annual process and the BCIL funding is now included in the report each year and will be kept under review.	
. Capital projects being included in the Capital programme where they are funded from additional income to be generated from the project.	A number of projects that were reliant of income generation to fund the capital financing costs have been removed from the Capital Programme which has reduced the risk associated with income generation	

Equalities implications / Public Sector Equality Duty

39. One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. Equalities implications form part of the way that the projects are prioritised. The officer's initial views are that no protected group is adversely affected by the proposals. A number of the projects proposed in the programme will require full Equality Impact Assessments before they commence. Following consultation, the impact will be further reviewed before the programme is finalised.

40. Decision makers should have due regard to the public sector equality duty in making their decisions. 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 material in the press and letters from residents. 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.

The relevant protected characteristics are:

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

41. Consultation responses received on this draft programme will be taken into account in drafting the final EIA.

42. **Council Priorities**

The Council's Final Capital Programme for 2020/21 to 2023/24 has been prepared in line with the Council's priorities:

1. **Improving the environment and addressing climate change**
2. **Tackling poverty and inequality**
3. **Building homes and infrastructure**
4. **Addressing health and social care inequality**
5. **Thriving economy**

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer

Date: 01/02/21

Statutory Officer: David Hodge
Signed on behalf of the Monitoring Officer

Date: 01/02/21

Chief Officer: Charlie Stewart
Signed off by the Corporate Director

Date: 03/02/21

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement

Date: 02/02/21

Head of Internal Audit: Susan Dixson
Signed by the Head of Internal Audit

Date: 02/02/21

Mandatory Checks

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

EqIA carried out: NO - any projects with potential impacts will separately be required to do an impact assessment

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151), Email: sharon.daniels@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NO

Capital Programme net additions 2020/21 to 2023/24 | **Appendix 2**

	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	TOTAL for all years		
Project Title	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial Directorate															
Legal Case Management System	41	41	**0**										41	41	**0**
Digital Improvements Programme				750		750	400		400	600		600	1,750	0	**1,750**
Enterprice Resources Planning TT				1,050		1,050	650		650			0	1,700	0	**1,700**
Ongoing ICT Refresh and Enhancements							-882		-882	1,000		1,000	118	0	**118**
Devolved IT Applications							338		338	250		250	588	0	**588**
Total Resources and Commercial Directorate	**41**	**41**	**0**	**1,800**	**0**	**1,800**	**506**	**0**	**506**	**1,850**	**0**	**1,850**	**4,197**	**41**	**4,156**
People's Directorate															
Adults															
Integrated Health Model	-65	20	-85										-65	**20**	**-85**
Schools															
Schools Expansion Programme Phase 2	-1,148	-680	-468										-1,148	-680	**-468**
Secondary Expansion	-13,233	-9,071	-4,162										-13,233	-9,071	**-4,162**
SEN Expansion	-6,511	-4,752	-1,759										-6,511	-4,752	**-1,759**
Total Schools	**-20,892**	**-14,503**	**-6,389**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-20,892**	**-14,503**	**-6,389**
Total People's Directorate	**-20,957**	**-14,483**	**-6,474**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-20,957**	**-14,483**	**-6,474**
Community Directorate															
High Priority Planned Works to Corporate Sites				-30		-30	-30		-30	650		650	590	0	**590**
Parks Infrastructure				-150		-150	-150		-150	350		350	50	0	**50**
Car Park Infrastructure				-15		-15	-30		-30			0	-45	0	**-45**
Waste Services bins (Trade)							-150		-150	0		0	-150	0	**-150**
Waste Services bins (Domestic)				-100		-100	-100		-100	0		0	-200	0	**-200**
CA Site Infrastructure				25		25				75		75	100		**100**
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure										150	150	0	150	150	**0**
Highways Programme	12	12	0				500		500	5,500		5,500	6,012	12	**6,000**
Flood Defence & Highways Drainage -BCIL funded										500	500	0	500	500	**0**
Street Lighting Programme				500		500	500		500	1,500		1,500	2,500	0	**2,500**
Local Implementation Plan (LIP) including Parking Management Programme To deliver the transport projects and initiatives set out in the Transport Local Implementation Plan (LIP) programme of investment for 2020/21 - 2022/23. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP.										1,691	1,391	300	1,691	1,391	**300**

Capital Programme net additions 2020/21 to 2023/24 **Appendix 2**

	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	TOTAL for all years		
Project Title	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from Borrowing**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Climate Emergency - Energy emissions reduction measures				250		250	250		250			0	500	0	**500**
Total Commissioning and Environment	**12**	**12**	**0**	**480**	**0**	**480**	**790**	**0**	**790**	**10,416**	**2,041**	**8,375**	**11,698**	**2,053**	**9,645**
Cultural Services															
Leisure and Libraries Capital Infrastructure				15		15	15		15	150		150	180	0	**180**
Total Cultural Services	**0**	**0**	**0**	**15**	**0**	**15**	**15**	**0**	**15**	**150**	**0**	**150**	**180**	**0**	**180**
Housing General Fund															
Disabled Facilities Grant	337	412	-75	553	121	432	594	121	473	2,153	1,638	515	3,637	2,292	**1,345**
Empty Property Grant -	-330	0	-330	120	0	120	120	**0**	120	120	**0**	120	30	**0**	**30**
Total Housing General Fund	**7**	**412**	**-405**	**673**	**121**	**552**	**714**	**121**	**593**	**2,273**	**1,638**	**635**	**3,667**	**2,292**	**1,375**
Regeneration, Enterprise and Planning															
Harrow High Street Fund To improve cycling and walking infrastructure and high street improvement works.	-1,387	-1,387	0	1,800	1,300	500	1,600	1,100	500	1,500	1,000	500	3,513	2,013	**1,500**
Wealdstone Future High Street Fund (FHSF): An in principle offer of **£7.449m** has been secured from the MHCLG for a number of capital projects in the town centre. Confirmation of funding will be received by the council in March 2021. The funding will be used to deliver various infrastructure iinvestments. BCIL match funding of **£1.76m.**				1,500	1,500	0	4,500	4,500	0	3,209	3,209	0	9,209	9,209	**0**
Neighbourhood CIL funded projects				500	500	0	500	500	0	500	**500**	0	1,500	1,500	**0**
Total Regeneration, Enterprise and Planning	**-1,387**	**-1,387**	**0**	**3,800**	**3,300**	**500**	**6,600**	**6,100**	**500**	**5,209**	**4,709**	**500**	**14,222**	**12,722**	**1,500**
Total General Fund	**-22,284**	**-15,405**	**-6,879**	**6,768**	**3,421**	**3,347**	**8,625**	**6,221**	**2,404**	**19,898**	**8,388**	**11,510**	**13,007**	**2,625**	**10,382**

Capital Programme 2020/21 to 2023/24 Appendix 1

	2020/21			2021/22			2022/23			2023/24			TOTAL			
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Governance Board**
Resources and Commercial Directorate																
Capital cost of transition and transformation of ICT service	159		159			0			0			0	159	0	159	IT Strategy Board
ICT Re-Commissioning	1,044		1,044			0			0				1,044	0	1,044	IT Strategy Board
Legal Case Management System	41	**41**	0			0			0			0	41	41	0	IT Strategy Board
Digital Improvements Programme			0	750		750	400		400	600		600	1,750		1,750	IT Strategy Board
Enterprice Resources Planning TT			0	1,050		1,050	650		650			0	1,700		1,700	Dynamics Programme Board
Enterprise Resource Planning System	6,022		6,022	110		110			0			0	6,132	0	6,132	Dynamics Programme Board
Ongoing ICT Refresh and Enhancements	5,683		5,683	**1,959**		1,959	**1,000**		1,000	1,000		1,000	9,642	0	9,642	IT Strategy Board
Devolved IT Applications	1,435		1,435	**1,861**		1,861	**500**		500	250		250	4,046	0	4,046	IT Strategy Board
ABAVUS and Waste Collector	538		538			0			0			0	538	0	538	Integrated Streets and Grounds Project Group
LAA Performance Reward Grant	59	**59**	0			0			0			0	59	59	0	Capital Forum
Other Schemes (Council wide)	0		0	9001		9,001			0			0	9,001	0	9,001	Capital Forum
Total Resources and Commercial Directorate	**14,981**	**100**	**14,881**	**14,731**	**0**	**14,731**	**2,550**	**0**	**2,550**	**1,850**	**0**	**1,850**	**34,112**	**100**	**34,012**	
Total People's Directorate	**5,010**	**4,337**	**674**	**22,803**	**22,033**	**770**	**9,071**	**9,071**	**0**	**0**	**0**	**0**	**36,885**	**35,441**	**1,444**	
Community Directorate																
Commissioning and Environment																
High Priority Planned Works - Corporate Sites To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards.	1,278		1,278	650		650	650		650	650		650	3,228	0	3,228	Contracts Board
Parks Infrastructure On-going programme to address historic under-investment and responsive only maintenance regimes to parks infrastructure; to address areas of deterioration and improve existing facilities and provide safe access for users.	951		951	350		350	350		350	350		350	2,001	0	2,001	Contracts Board
Parks Playground Improvement	373	**373**	0			0			0			0	373	373	0	Contracts Board
Car Park Infrastructure	19		19	0		0			0			0	19	0	19	Contracts Board
Waste Services bins (Trade) Replacement of aged, damaged and/or lost wheeled bins, as well as bins provision for new residential development within the borough and bins for business (as part of trade waste service).	157		157	150		150	0		0	0		0	307	0	307	Contracts Board

Capital Programme 2020/21 to 2023/24 **Appendix 1**

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Governance Board
Waste Services bins (Domestic) Replacement of aged, damaged and/or lost wheeled bins for domestic properties	238		238	0		0	0		0	0		0	238	0	238	Contracts Board
CA Site Infrastructure On-going maintenance programme to the Civic Amenity site to ensure it provides a safe and secure environment in which to operate its business and continue to meet the needs of staff and users.	0		0	100		100	75		75	75		75	250	0	250	Contracts Board
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.	217	**185**	32	150	**150**	0	150	**150**	0	150	**150**	0	667	635	32	Contracts Board
Highways Programme To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.	5,037	**37**	5,000	6,000		6,000	6,000		6,000	5,500		5,500	22,537	37	22,500	Contracts Board
Parking Management Programme to implement controlled parking schemes and restrictions and support the delivery of LIP	300		300			0			0			0	300	0	300	Contracts Board
Headstone Manor - Park for People Project	897	**897**	0			0			0			0	897	897	0	
Flood Defence & Highways Drainage -BCIL funded To deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approximately 80kms of rivers and watercourses in the borough, and the highways drainage programme of investment and implement schemes in 15 critical drainage areas identified in the Council's Surface Water Management Plan.	500	**500**	0	500	**500**	0	500	**500**	0	500	**500**	0	2,000	2,000	0	Contracts Board
Street Lighting Programme To continue the street lighting programme of investment, which includes upgrading life expired street lighting columns and replacing conventional lanterns for more energy efficient LED lanterns	1,000		1,000	1,500		1,500	1,500		1,500	1,500		1,500	5,500	0	5,500	Contracts Board
Local Implementation Plan (LIP) including Parking Management Programme To deliver the transport projects and initiatives set out in the third Transport Local Implementation Plan (LIP) programme of investment for 2020/21 - 2022/23. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP.	530	**530**	0	1,691	**1,391**	300	1,691	**1,391**	300	1,691	**1,391**	300	5,603	4,703	900	Contracts Board
Wealdstone Major Transport Infrastructure Project: Town centre / bus improvements scheme along the High Street / A409 corridor The project is funded from external funding from TFL (£1.5m) and a match fund from BCIL (£0.9m).	1,000	**1,000**	0	1,400	**1,400**	0			0			0	2,400	2,400	0	Contracts Board
Wealdstone Major Transport Infrastructure Project: Liveable Neighbourhood for the wider transport network and residential neighbourhoods around the town centre. The project is anticipated to be funded from external funding from TFL (£3.84m).	0		0	300	**300**	0	2,270	**2,270**	0	1,270	**1,270**	0	3,840	3,840	0	Contracts Board

Capital Programme 2020/21 to 2023/24 | **Appendix 1**

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	
Headstone Manor Flood Alleviation scheme The proposed scheme is a combination of works in the Headstone Manor Recreation Ground playing fields and comprises the construction of a 20,000 m3 storage basin, to reduce flow leaving site and reducing the pressure on the existing sewer and river network downstream. **Environment Agency** funding of **£0.968m** has been granted, with the match fund of **£0.5m** being anticipated from **BCIL**.	1,618	**1,618**	0			0			0			0	1,618	1,618	0	Contracts Board
CCTV cameras and equipment at the depot	50		50			0			0			0	50	0	50	Contracts Board
CCTV Infrastructure	18	**0**	18	1,246		1,246			0			0	1,264	0	1,264	Contracts Board
Street Litter Bins	28		28			0			0			0	28	0	28	Contracts Board
Harrow Weald Toilet Block	149		149			0			0			0	149	0	149	Contracts Board
Redevelopment of Rayners Lane Toilet Block	71		71			0			0			0	71	0	71	Contracts Board
Redevelopment of Vernon Lodge	5		5			0			0			0	5	0	5	TBC
Vehicle Procurement	425		425	60		60	136		136	2,731		2,731	3,352	0	3,352	Contracts Board
Depot redevelopment project	14,571		14,571			0			0			0	14,571	0	14,571	Depot Project Board
Climate Emergency - Energy emissions reduction measures			0	250		250	250		250			0	500	0	500	
Total Commissioning and Environment	**29,432**	**5,140**	**24,292**	**14,347**	**3,741**	**10,606**	**13,572**	**4,311**	**9,261**	**14,417**	**3,311**	**11,106**	**71,768**	**16,503**	**55,265**	
Cultural Services																
Libraries Self-Service Kiosks Refresh To replace the 14 self-service kiosks across the 6 Harrow Libraries.			0	120		120			0			0	120	0	120	Contracts Board
Leisure and Libraries Capital Infrastructure Targeted investment to improve the infrastructure of the Council's leisure and library facilities.	352	**0**	352	150		150	150		150	150		150	802	0	802	Contracts Board
Bannisters Former Civil Defence Building	348		348			0			0			0	348	0	348	Contracts Board
Sec 106 Banister Sport Pitch	1,159	**1,159**	0			0			0			0	1,159	1,159	0	Contracts Board
Central Library Fit out	1,039	**555**	484			0			0			0	1,039	555	484	Contracts Board
Refurbishment of Libraries	0	**0**	0			0			0			0	0	0	0	Contracts Board
Harrow Arts Centre Capital Infrastructure Capital invesment to deliver essential Health and Safety works including drainage, toilet facilities, roof tiles, external railings, fencing and paving, and intruder alarms.	300	**300**	0			0			0			0	300	300	0	Contracts Board
Harrow Arts Centre - BCIL funded Additional funding to complete the existing refurbishment and new build project. Original funding in the existing programme is £1.91m (GLA funding £760k and BCIL £1.15m). The total cost estimates are now £3.686m for the whole project, which takes into account the revised cost for refurbishing existing buildings based on updated QS advice and the requirement for tranditional build for the new building (instead of modular building).	2,130	2,130	0	1,177	1,177	0			0			0	3,307	3,307	0	Contracts Board
Harrow Museum Capital Infrastructure	44	0	44			0			0			0	44	0	44	Contracts Board
Total Cultural Services	**5,372**	**4,144**	**1,228**	**1,447**	**1,177**	**270**	**150**	**0**	**150**	**150**	**0**	**150**	**7,119**	**5,321**	**1,798**	

Capital Programme 2020/21 to 2023/24 | **Appendix 1**

	2020/21			2021/22			2022/23			2023/24			TOTAL			
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Governance Board**
Housing General Fund																
Disabled Facilities Grant	2,306	1,517	789	2,070	1,638	432	2,111	1,638	473	2,154	1,638	515	8,641	6,432	2,209	Housing Contracts Board
Empty Property Grant -	120	0	120	120	0	120	120	0	120	120	0	120	480	0	480	Housing Contracts Board
Property Acquisition Programme - 2020/21 Q2 fcast; 2021/22 onwards assume 24 x £340k ea, round up to £8.5k p.a based on empirical purchase profile **Financing : 30% RTB receipts, 70% Borrowing**	7,109	2,133	4,976	8,802	2,641	6,162	8,500	2,550	5,950	8,500	2,550	5,950	32,911	9,873	23,038	Housing Contracts Board
Total Housing General Fund	**9,534**	**3,650**	**5,885**	**10,992**	**4,279**	**6,713**	**10,731**	**4,188**	**6,543**	**10,774**	**4,188**	**6,585**	**42,032**	**16,305**	**25,726**	
Regeneration, Enterprise and Planning																
Harrow High Street Fund To improve cycling and walking infrastructure and high street improvement works. £3.65m to be funded from BCIL.	350	**250**	100	1,800	**1,300**	500	1,600	**1,100**	500	1,500	**1,000**	500	5,250	3,650	1,600	Contracts Board
Wealdstone Future High Street Fund (FHSF): An in principle offer of **£7.449m** has been secured from the MHCLG for a number of capital projects in the town centre. Confirmation of funding will be received by the council in March 2021. The funding will be used to deliver various infrastructure iinvestments. BCIL match funding of **£1.76m.**			0	1,500	**1,500**	0	4,500	**4,500**	0	3,209	**3,209**	0	9,209	9,209	0	Contracts Board
Lyon Rd Pop Restaurant & Square	685	**685**	0			0			0			0	685	685	0	Contracts Board
Trinity Square	151	**151**	0			0			0			0	151	151	0	Contracts Board
MoL COVID-19 - ERSF	78	**78**	0			0			0			0	78	78	0	Planning and Public Protection IT Solution Project Board
New Planning IT system	875	**0**	875			0			0			0	875	0	875	Planning and Public Protection IT Solution Project Board
Neighbourhood CIL funded projects	157	**157**	0	500	**500**	0	500	**500**	0	500	**500**	0	1,657	1,657	0	Contracts Board
Waxwell Lane Development	3,898	**0**	3,898	1,570	**0**	1,570	0	**0**	0	0	**0**	0	5,468	0	5,468	Building a Better Harrow Board
Haslam House Redevelopment	1,732	**0**	1,732	865	**0**	865	0	**0**	0	0	**0**	0	2,598	0	2,598	Building a Better Harrow Board
Other Regeneration	0	**0**	0	1,788		1,788			0			0	1,788	0	1,788	Building a Better Harrow Board
Poets Corner	0	**0**	0	8,119		8,119			0			0	8,119	0	8,119	Building a Better Harrow Board
Gayton Rd	5		5	2,293		2,293			0			0	2,298	0	2,298	Building a Better Harrow Board
Plot S				500		500			0			0	500	0	500	Building a Better Harrow Board
Demolition of Social club				300		300			0			0	300	0	300	Building a Better Harrow Board

Capital Programme 2020/21 to 2023/24 **Appendix 1**

	2020/21			2021/22			2022/23			2023/24			TOTAL			
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Governance Board**
Investment in HNC				2,070		2,070			0			0	2,070	0	2,070	Building a Better Harrow Board
Investment in 3 core sites							6,610		6,610	1,915		1,915	8,525	0	8,525	Building a Better Harrow Board
Total Regeneration, Enterprise and Planning	**7,932**	**1,321**	**6,611**	**21,305**	**3,300**	**18,005**	**13,210**	**6,100**	**7,110**	**7,124**	**4,709**	**2,415**	**49,572**	**15,430**	**34,141**	
Total Community Directorate	**52,271**	**14,255**	**38,016**	**48,092**	**12,497**	**35,595**	**37,663**	**14,599**	**23,064**	**32,465**	**12,208**	**20,256**	**170,491**	**53,560**	**116,931**	
Total General Fund	**72,263**	**18,692**	**53,571**	**85,626**	**34,530**	**51,096**	**49,285**	**23,671**	**25,614**	**34,315**	**12,208**	**22,106**	**241,488**	**89,101**	**152,387**	
Housing Revenue Account																
Planned Investment Programme	5,191	5,191	0	12,161	12,161	0	5,895	5,895	0	5,895	5,895	0	29,142	29,142	0	Housing Contracts Board
HRA Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Housing Regeneration Board
Housing IT Scheme	413	413	0	796	796	0	179	179	0	0	0	0	1,388	1,388	0	Housing Contracts Board
Grange Farm phase 1	6,185	6,185	0	15,812	15,812	0	2,632	2,632	0	432	432	0	25,061	25,061	0	Housing Regeneration Board
Grange Farm phase 2	4,000	4,000	0	975	975	0	1,800	1,800	0	6,038	3,288	2,750	12,813	10,063	2,750	Housing Regeneration Board
Grange Farm phase 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Housing Regeneration Board
Building Council Homes For Londoners'	5,689	4,327	1,362	61,079	14,900	46,179	43,042	10,771	32,271	10,674	3,795	6,879	120,484	33,793	86,691	Housing Regeneration Board
Total HRA	**21,478**	**20,116**	**1,362**	**90,823**	**44,644**	**46,179**	**53,548**	**21,277**	**32,271**	**23,039**	**13,410**	**9,629**	**188,888**	**99,447**	**89,441**	
Total General Fund + HRA	**93,740**	**38,808**	**54,933**	**176,449**	**79,174**	**97,275**	**102,833**	**44,948**	**57,885**	**57,354**	**25,618**	**31,735**	**430,375**	**188,548**	**241,828**	

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Report for:	**Cabinet**
Date of Meeting:	11th February 2021
Subject:	Housing Revenue Account Budget 2021-22 & Medium-Term Financial Strategy 2022-23 to 2023-24
Key Decision:	Yes
Responsible Officer:	Nick Powell - Divisional Director of Housing: Dawn Calvert - Director of Finance; Paul Walker - Corporate Director of Community
Portfolio Holder:	Councillor Phillip O'Dell - Portfolio Holder for Housing; Councillor Adam Swersky - Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budget 2021-22 Appendix 2 – Average Rents & Service Charges (Tenants) Appendix 3 – Garage & Parking charges Appendix 4 – Facility Charges Appendix 5 – Water charges Appendix 6 – Community Centre Charges Appendix 7 – Capital Programme

Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account budgets and rent setting for 2021-22 and Medium-Term Financial Strategy (MTFS) for 2022-23 to 2023-24.

Recommendations:

Cabinet is requested to:

1. Approve proposed average weekly rent for non-sheltered and sheltered accommodation of £118.01 and £98.18 for 2021-22 respectively as set out in paragraph 34.

2. Approve proposed average weekly tenant service charge of £3.32 per week as set out in paragraph 40.

3. Delegate authority to the Corporate Director of Community following consultation with the Portfolio Holder for Housing , Portfolio Holder for Finance and Resources and Director of Finance to consider the results of the Tenant Service Charges review (and any consultation on this) and approve any changes to existing tenant service charges for the financial year 2021/22, as set out in paragraph 40.

4. Approve proposed average weekly rents for affordable rented and shared ownership accommodation of £197.11 and £199.82 for 2021-22 respectively as set out in paragraph 35 to 36.

5. Approve an increase in the overall HRA Capital programme of £40,728,480 made up £9,762,940 planned investment & Housing IT and £30,965,540 Building Council Homes for Londoners (BCHfL) as set out in paragraphs 56 to 66.

6. Note the following:
   - Charges for Facilities, Community Halls, Garages and Water to remain unchanged as set out in appendices 3 to 6Reconfigured planned investment programme which continues to focus on health and safety and compliance as well as supporting increased flexibility in its delivery. In the coming years we are also making provision to support the Council's ambition to reduce carbon emissions.
   - Assumptions made in construction of the budget
   - Risk Management Implications which require prudent financial reserves, volatility around borrowing costs and ongoing probability of reforms in the housing sector.

Reason (for the recommendations) :
To recommend the HRA budget and capital programme for 2021-22 and the MTFS for 2022-23 to 2023-24.

Section 2 – Report

Introductory paragraph

1. The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act expects that the HRA does not fall into a deficit position.

2. The Council has a retained housing stock of c4820 homes currently available to let and manages an additional c1200 leasehold properties with an annual rent roll of c.£29m.

3. The Council has a statutory obligation to agree and publish the HRA budget. The primary purpose of this report is to present the HRA revenue position (see Appendix 1) and a capital position (see Appendix 7 for 2021/22 based on budget submissions plus a HRA Medium Term Financial Strategy(MTFS) 2022-23 to 2023-24 (see Appendix 1), ahead of the final budget presentation and rent setting at Full Council on 25th February 2021.

4. The budget and MTFS have been set within the framework set out in the HRA Business Plan update and draft HRA Budget, reported to Cabinet 8th October 2020 and 21st January 2021 respectively, and include the impact of legislation contained in the Welfare Reform & Work Act 2016 and Housing & Planning Act 2016 including reversion to rent increases of up to CPI + 1% from April 2020. The Business Plan update also included assumptions around inflation and interest rates as well as cost reductions in revenue expenditure required to produce a sustainable financial position for the Council's HRA.

5. Revenue cost reductions assumed at £1.90m will be phased in fully by 2021 and investment in HRA stock, detailed in Capital Investment section supported by appendix 7, is estimated at £12.161m for 2021-22, £5.895m per annum 2022-23 and 2023-24 then £4.895m per annum thereafter. This is based on latest stock condition survey results with focus on essential health & safety, compliance and statutory requirements.

6. A significant change since the Business Plan was submitted to Cabinet is the assumption on CPI used for rental increases. Business plan assumed CPI of 2% in 2021/22, but the September 2020 CPI used for budget setting came in at ½% resulting in an overall reduction in rental income of £13m across the 30-year business plan assuming CPI would return to 2% within two years.

7. Following the recent Budget 2020 announcement, where the Chancellor reversed the recent 1% hike in the interest rate for the Public Works Loan Board (PWLB), the Authority is reviewing its borrowing strategy to

secure debt in light of the reduction in PWLB rates. A risk to the Building Council Homes for Londoners (BCHfL) programme has been identified. The recommendations to proceed are therefore predicated on satisfactory borrowing rates being secured.

8. The budget assumes an increase in tenant service charges in line with the Consumer Prices Index (CPI), the Government's preferred measure of inflation.

Details on the assumption used to construct the budgets and MTFS are given later in this report.

Options considered

9. For 2021/22 rent setting there has been no change to the Government rent policy issued in 2020, that allows for social housing providers to increase rents by the previous September Consumer Prices Index (CPI) rate +1% for a five-year period. Guidance released in November 2020 does allow local authorities to breach this cap in circumstances of exceptional financial hardship. However, this would not currently apply to Harrow Council's HRA. Other unregulated income streams can be adjusted to ensure full cost recovery.

10. The Council can proceed with the programme of building 659 new units within the HRA originally approved by Council 27th February 2019 or implement alternative delivery models if it is considered the level of risk now presented cannot be sufficiently mitigated.

Option 1: Continue with new build programme within the HRA

11. This would provide up to 659 additional units across a mix of tenures including affordable rented and shared ownership as part of the BCHfL programme within the Council's HRA and in collaboration with the Harrow Strategic Development Partnership (HSDP).

12. Full utilisation of approved grant and borrowing, with sufficiently low interest rates, would be assumed and tested on an ongoing basis against a suite of assumptions using the HRA Business Plan.

13. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks.

14. To ensure resources are not over extended and it remains affordable the programme will be expedited in phases with viability reviewed at each stage before starting on the next phase.

Option 2 : Consider alternative delivery models

15. In the event risks around the HRA indicate the service would, on the balance of probabilities, become unviable, alternative delivery models for the provision of low-cost housing would be implemented.

16. It is therefore considered prudent to consider alternatives in the context of the Council's wider regeneration aspirations and work is ongoing in this area.

Option 3: Increase rent by less than CPI plus 1%

17. Rents can be increased by CPI plus up to 1% under current regulations. However not doing so would result in the revenue account generating deficits 2021-22 and 2022-23 and lower surplus for 2023-24 as well as reducing the capacity of the HRA to mitigate the impact of increases in costs and or interest rates associated with the BCHfL programme.

18. In the context of the lower than expected September CPI figure this option is not considered prudent as it would increase the financial risk faced by the Council's HRA.

Preferred Options

19. A rent increase of CPI plus 1% is the preferred option as this is necessary to balance the HRA to a neutral position in 2021/22 and 2022/23. Tenant service charges increasing in line with inflation. Surpluses on the HRA will be used to support investment in stock and the BCHfL programme.

20. In relation to the new build programme Option 1 is the preferred option as it will provide much needed housing supply for the local community as well as mitigating the costs of homelessness on the General Fund and securing the longer-term viability of the Council's HRA.

Background

21. Statutory rent reductions spanning 2016-17 to 2019-20 imposed by Government impacted on the HRA by requiring service reviews across the HRA to reduce costs and maximise income.

22. As a result, it has been assumed a permanent reduction in revenue expenditure of £1.90m will be in place by March 2021 to mitigate the impact of rent reductions and these are on track for achievement.

23. Given the scale of the BCHfL programme and associated risks the cost base of the HRA must now be kept under constant review to ensure continued viability.

Consultation

24. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent and other charges for facilities

are specifically excluded from the definition of housing management; therefore, there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted residents on proposed changes via representative groups such as the Value for Money group and the quarterly residents' drop-in meeting (Housing Matters), formerly TLRCF (the Tenants', Leaseholders and Residents' Consultative Forum.

25. A review of tenant and leaseholder service charges is also under way to ensure all costs incurred in the provision of services are being properly recovered. The results from the outcome of this review will be implemented during 2021/22, following consultation, if appropriate.

COVID-19

26. The global pandemic that has been experienced in 2020 and continues to be experienced across the London region and others has had an obvious and significant impact on the local economy. There have been impacts on every activity that occurs within the HRA, from the Council's ability to collect income to void turnaround times. As a result, the impact can be seen in every area of budget setting in this HRA report. It should be noted that, although the financial impact of COVID-19 has been seen mostly during 2020/21, this is not reflected in the 2020/21 budget since that was agreed prior to the pandemic. Thus, we are comparing a pre-COVID budget (2020/21) with a COVID-recovery budget (2021/22).

27. At present it is unclear how and when many economic uncertainties will be resolved, and so medium-term planning is also affected. The HRA Medium Term Financial Strategy (MTFS) is included as appendix 1 and is based on the budget for 2021/22 with inflationary assumptions built in for future years. An update of the HRA Business Plan will be submitted to Cabinet after 2020/21 final accounts which will include updates of key assumptions.

Balances

28. HRA revenue balances were £7.5m as at 31st March 2020 and these are expected to be £7.6m at the end of 2023-24 which are above the minimum balances considered prudent.

29. The budgets for the financial years 2021/22 and 2022/23 have been balanced and so net to nil with a surplus anticipated from 2023-24. The first significant rental streams being generated from the BCHfL programme later in the MTFS.

30. In addition to specific reserves to support repairs, IT investment, restructuring, tenants experiencing financial difficulties, a reserve to support the BCHfL programme has been set up. These reserves are all within the HRA.

31. Given the scale of the programme significant additional contributions will be required to ensure associated risks can be contained. Although the budget and MTFS allow for a modest BCHfL reserve, increased contributions will be made after 2023-24 when the revenue account returns to a surplus.

Income

Assumptions supporting the main HRA income streams are set out below:

Dwelling rents

32. Rent policy set out by Central Government states that existing rents may be increased annually by the previous September's CPI rate, plus up to 1%. This calculation has been applied, giving a proposed rent increase of 1.5%. Although the Government has stated rents can be increased by CPI plus up to 1% for five years from April 2020, there is no confirmation these increases are permitted beyond March 2025. The Business Plan update reported to Cabinet 8th October 2020, assumed increases for all subsequent years from April 2025 will be at CPI only as this is considered a more prudent assumption given developments in the macro-economic environment.

33. Rents for newly constructed homes are on Affordable rents or the lower London Affordable Rents where the scheme benefits from part of the £32.144m grant secured from the Greater London Authority.

34. The overall average rent & service charge for the Council's housing stock for 2021-22 will be £119.18 per week comprising rent £115.86 (£118.01 non sheltered, £98.18 sheltered) and tenant service charge £3.32 per week (2020-21 average £117.45, comprising rent £114.15, tenant service charge £3.30) assuming an increase of CPI plus 1% for rents and CPI only for tenant service charges, as detailed in Appendix 2. CPI is required to be set at the September rate of ½%.

35. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average rent is estimated to be £197.11 per week assuming a rent increase of CPI plus 1% for affordable rented units.

36. Rents for shared ownership units, assuming the Council retains 65%/75% equity share, are estimated at £199.82 per week on average.

Right-to-Buy sales

37. There have been fifteen sales under Right-to-Buy ("RTB") so far in 2020-21 and a further nine are assumed by the end of the financial year totalling twenty four estimated sales with twenty four expected for 2021-22, then reducing to twenty per annum for remainder of the MTFS. It is envisaged the HRA will continue to be viable if RTB sales continue at these levels assuming BCHfL programme proceeds as proposed.

38. The Council continues to retain the majority of the capital receipts arising from the sale of Right to Buy properties, in line with the retention agreement signed with the Government. Under this agreement the receipts must be used within three years to fund a maximum of 30% of spend on replacement properties or be paid to the Government with a high interest penalty. While the new build programme, identified in the Business Plan, can absorb some of these receipts, there has often been difficulties in matching the timing of expenditure to when the receipts must be used and like most London Councils which have limited land, Harrow has found it difficult to invest these receipts and has been required to return some receipts with interest to MHCLG.

39. The Government has recognised the potential difficulties in meeting construction timetables during the current pandemic and has suspended the repayment of receipts for the first three quarters of 2020/21 whilst keeping the position under review. Latest forecasts show that with the use of this extension Harrow Council will need to pay £4.403m receipts to the Government for the current financial year. These funds will not be lost to the Authority but instead these Right to Buy receipts from disposals and the associated interest costs will be ring fenced to Harrow via the GLA and made available to Harrow as affordable housing grant to be used to deliver new rented affordable homes. This arrangement is called the right-to-buy ring fence offer (RTBRFO), to voluntarily repay these receipts to MHCLG and then claim these from GLA to support new build and regeneration schemes.

Service charges: Tenants & Leaseholders

40. Tenants who benefit from specific estate-based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. Service charges are not subject to the rental increase of 1.5% but are based on cost recovery. This service charge was £3.30 in 2020-21 and it is proposed this will increase to an average of £3.32 in 2021-22 and throughout MTFS in line with CPI. A review of service charges is in the process of being concluded and any changes arising as a result of the review , subject to consultation ,if appropriate and approval, will be implemented during 2021/22.It is anticipated that the review will conclude by the end of the first quarter of the financial year 2021.

41. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs. Income expected from leaseholders in 2021-22 (excluding s20 income for capital schemes) is £874k and reflects the recovery of costs from leaseholders of estate-based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges. The above figure takes into account the increase in grounds maintenance charges to the HRA from the General Fund following the results of a recent review of the service provided.

Other Income

42. Rents for shops and commercial units situated on HRA land, garages, parking, facility charges and charges for community centres are set out in appendices 3 to 6.

43. Due to the current economic climate it is proposed to keep these at their current level. This can be revised in a year's time when we may have more economic certainty.

Expenditure

Assumptions supporting the main HRA expenditure items are set out below:

Employee Costs

44. Following the Government's spending review, no pay increase has been assumed with the current staffing establishment used as a basis. As Local Government is subject to separate negotiations the impact of any potential award has been held in HRA revenue reserves which will be deployed to support a subsequent pay award. If no pay award is negotiated the impact of the pay freeze will remain in reserves to support the MTFS.

45. In 2021/22 there is a proposal to create four new roles within Housing Repairs, Resident Services and Housing Regeneration totalling an additional £231k if approved. Two posts, totalling £111k are for a 3-4-year fixed term to support the BCHfL programme, comprising an apprentice and a project manager of which £62k will be funded through capital if approved. The other posts are a hoarding officer (£58k) currently funded through grant which comes to an end this financial year and a Climate Change Project Manager (£63k).

46. Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

Utility Costs

47. There has been no increase in utility charges as anticipated usage is low and there is little information available about the global wholesale energy price post Covid. Charges for water supplies and sewerage have traditionally been paid to the Council with the amounts collected then paid over to the water company. For the majority of tenants this arrangement has now ceased with tenants paying the water company direct. This results in no additional costs for tenants or the Council.

Central Recharges

48. Costs of support services, which are estimated to increase by 2% p.a. in line with Government's long- term inflation target, are allocated to services using suitable bases of apportionment (e.g. number of staff, estimated

time allocation, gross budget). Recharges reflect the full cost of all support services and are designed to permit transparency and challenge to secure value for money.

Repairs

49. Expenditure on repairs has been driven by a focus on legislative and Health & Safety requirements with due regard to the cost reductions identified by the Service Reviews and approved by the Programme Board. These have been reviewed in conjunction with the capital programme. Work is ongoing on the stock condition survey to better inform investment decisions and prioritise works over the next 3 to 5 years. This stock condition survey will be supplemented with information to target retrofit works to address carbon reduction. A review of the repairs service is also taking place. This will help to better understand the cost base and inform the budget cycle next year in line with decisions around extension and the future procurement of the main repairs contract. The review of the capital programme will allow targeting works to reduce the need for reactive repairs. This will also be supported by the development of a robust Planned Preventative Maintenance (PPM) programme designed to extend the life of components. Repairs reporting will also be improved through investment in a new Housing and Asset Management System.

Bad debt provision

50. The HRA has been financially impacted by the COVID pandemic. Rent arrears have risen sharply and this is exacerbated by restrictions on enforcement, in line with national policy.

51. Income collection has become more challenging since the pandemic impacted, despite mitigations by housing services, and this could lead to increased write-offs of arrears. Similarly, the transition to Universal Credit means some rents that would have been received automatically are now recoverable from the tenant. Where tenants suffer a financial impact from the current climate, arrears are likely to increase with the potential for further write-offs, which represent a cost to the Council.

52. It is unclear at this stage precisely to what extent our arrears will be affected and for what duration. The budget has assumed that arrears will continue to rise during 2021 and it may therefore be necessary to increase the bad debt provision at the end of March 2022. A budget to increase the bad debt provision by £150k has been proposed.

General Contingency

53. In addition to HRA reserves, an annual amount of £150k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in-service development initiatives.

54. Applications for support from this general contingency will be considered on a case by case basis with due regard to the position of the whole HRA.

Charges for Capital

55. HRA Borrowing is divided into historic and new borrowing:

- Historic debt – includes debt Councils were required to raise at the time of Self Financing in 2012 in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05% and is assumed to continue at this level.

- New borrowing – for BCHfL programme only is estimated at £95.8m for the full life of the scheme, an increase over the estimated borrowing of £77.2m and £73.1m reported to Cabinet 13th February 2020 for the Budget and 8th October 2020 for the Business Plan update 2020. This increase is due primarily to a lower than expected rent increase compounded by anticipated cost increases resulting from the economic environment.

Interest is expected to be payable at the lower rate of 3% as a result of the HRA taking advantage of lower rates conferred in a dedicated second pool for new home building in the HRA.

Current HRA rules do not require either debt to attract Minimum Revenue Provision (MRP), a mandatory charge in General Fund designed to ensure the cost of the asset is charged to revenue over its useful economic life. This is because depreciation in the HRA counts as a genuine charge against revenue and transfers resources to the HRA's Major Repairs Reserve which can be used to finance capital expenditure as well as repay debt.

The costs of the BCHfL programme continue to be reviewed and the results will be used to update the HRA Business Plan and revise the debt repayment strategy.

Capital Investment

56. Planned investment programme, based on the latest stock condition survey, budget for 2021/22 is £12.161m, then £5.895m for 2022/23 and 2023/24, then £4.895m per annum thereafter with focus continuing to be on Health & Safety and statutory works.

57. These estimates allow for slippage from 2020/21 of £4.341m together with an addition of £3m, spread evenly 2021/22 to 2023/24, to meet Government carbon reduction targets by 2030 by retrofitting Council homes.

58. Costs associated with the mandatory upgrade of the Housing IT system, are included at £975k for 2021/22 and 2022/23 after allowing for slippage

of £322k together with an addition to the programme of £603k assuming the scheme will complete within prescribed time limits.

Building Council Homes for Londoners

59. The Grange Farm Regeneration scheme will demolish obsolete Council homes and re-provide 274 new homes. Cabinet approved budget allocations 13th February 2020 for phases 1, which is now under construction and phase 2 of the scheme. Expenditure has been reprofiled following a review with an addition of £100k to phase 2 to align to latest cost estimates.

60. Grange Farm phase 1, which is supported by Housing Infrastructure Fund (HIF) as well as RTBRFO, will provide eighty-nine homes, sixty-eight at affordable rent and twenty-one shared ownership at an estimated remaining cost of £18.877m which includes slippage of £9.551m

61. Grange Farm phases 2 which is still at the planning stage is estimated to cost £18.4m in total. The procurement route including phase 3, which has not been finalised, will be the subject of another report to Cabinet.

62. Remaining schemes within the BCHfL programme are at various stages of development and planning and are included in the capital programme at a total remaining estimated cost of £115.940m which includes slippage of £19.215m. Also included in this are additional costs estimated at £23.446m reflecting the anticipated increase in build costs resulting from changes in the macro-economic environment.

63. The BCHfL programme, which has already provided 96 of a total of 659 additional homes, has assumed a selection of sites currently held in the General Fund will be transferred to the HRA for development in line with the current regulations for appropriations although the exact locations and valuations of these sites have yet to be clarified.

64. Funding will be from a combination of GLA grants totalling £32.144m, approved borrowing and other internal HRA resources with no impact on General Fund.

65. Net additions to the HRA capital programme over the approved budget total £51.764m. Of this, £40.728m relate to the current MTFS to 2023-24 with the remaining £11.035m relating to 2024-25 and 2025-26 reflecting the full life estimates of the construction programme.

66. Appendix 7 details the full capital programme including slippage and summarises the additions and re-profiling requested.

Consultation Papers and new developments

67. For the second year, the outcome of the Government's consultation on 'Use of Right to Buy (RTB) Receipts' and increased flexibilities has still not been concluded. **"Use of receipts from Right to Buy sales"** – Government has consulted on options including increasing proportion of

eligible new build expenditure which can be funded from retained right to buy receipts from 30% to 50% as well as potentially extending the deadline for reinvestment of these proceeds from three to five years enabling Councils more time and manoeuvrability to reinvest earmarked sales proceeds to replenish stock lost through right to buy. This will mean the Council will have to put less of its own resources in either through retained receipts or additional borrowing should this proposal go through.

68. This update assumes the current arrangements of 30% financing ratio and three-year deadline for reinvestment is continuing. The Council has submitted a consultation response positively supporting the proposals set out in the consultation document.

69. However, Councils have been allowed to retain receipts which would otherwise become repayable for the first three quarters of 2020/21 due to the impact of the COVID pandemic on development schemes. The Government has also issued a consultation, in November, asking for authorities' current position on the use of receipts. This may lead to a further extension of the repayment timetable, but this is not known at this time. As there has not been any formal conclusion to the last Government consultation process, future policy regarding the RTB system is not known and this continues to impede the use of the receipts

70. Following on from this on 17 November 2020 the white paper, the Charter for Social Housing Residents was released. The Building Safety Bill is already in progress and the Energy White Paper released on 15th December. These have implications going forward including:

- Consultation in respect of electrical safety, installation of carbon monoxide monitors
- A review of the Decent Homes Standard to support the decarbonisation and energy efficiency of social homes and include standards for communal and green space outside the home.
- Proposed introduction of Tenant Satisfaction measures that will be formally monitored including the introduction of a regular inspection regime for social landlords
- Increased regulations to improve responses to complaints
- Requirements to improve tenant engagement and empowerment
- There are also linked commitments with the Building Safety Bill with regard to the management of tall buildings, for example the appointment of a Building Safety Manager
- Retrofitting of the existing social housing stock to meet the Councils Climate Change objectives as well as those set out by the Government

71. **"Revised HRA Manual"** – Primary guidance is based on the HRA Manual issued by MHCLG in 2007; a revised version is expected and is likely to allow Councils to transfer land from General Fund to HRA at nil consideration or below fair value.

72. Although details have yet to be released, including restrictions regarding the number of years land is to be left undeveloped or it's physical condition, the Council will consider the new guidance with due regard its broader regeneration aspirations with the aim of securing maximum advantage.

Variation to MTFS 2021-22

Changes in estimates of expenditure and income together with the anticipated impact of Covid-19 have been contained resulting in a neutral position for 2021-22, which is unchanged from the MTFS approved by Cabinet on 13th February 2020. The main changes in estimates are:

- Operating expenditure – increase £50k due to increased recharges in respect of Grounds maintenance and service from Council Depot partially offset by reductions in other expenditure

- Repairs – increase £178k due mainly to review of planned preventative maintenance requirements

- Other expenditure & income – reduction £228k due to increase in expenditure qualifying for capitalisation; improvement in estimated income from leaseholders and reduced void losses from rental income

Summary

73. HRA Budget & MTFS detailed in Appendix 1 include rent increases at CPI plus 1% and sits within the framework set out in the HRA Business Plan Update submitted to Cabinet 8th October 2020.

74. Revenue reserves are expected to remain stable and above minimum recommended balances over the life of the MTFS provided interest on new borrowing does not exceed 3%.

75. Longer term viability of the Council's HRA is dependent on successful completion of BCHfL therefore continuous review of the cost base of the HRA and underlying assumptions are essential through a revised HRA Business Plan Update.

76. Risks associated with BCHfL are significant and earmarked reserves to support this programme are modest therefore increased contributions are required which will be supported by the continuous review process.

77. Consultation papers and emerging Government regulation will be reviewed to ensure maximum advantage is secured for the Council as a whole.

Performance Issues

78. The BCHfL programme contributes to delivery targets agreed with the GLA. Failure to take the project forward would jeopardise achievement of these targets and potentially withdrawal of grant funding resulting in costs already incurred being written off to revenue which would compromise the longer-term viability of the Council's HRA.

Environmental Implications

79. All new homes must meet high standards of energy efficiency to reduce CO2 emissions and reduce fuel poverty as required by London Plan. We have already invested in some of our poorest performing energy efficient council homes by installing external wall insulation and continue programmes to install double glazing and the most efficient gas condensing boilers. The proposed retrofit programme will enhance the energy performance of more of the Council's properties and will contribute toward the Council's carbon reduction targets

Data Protection Implications

80. There are no GDPR implications.

Risk Management Implications

81. Risks included on corporate or directorate risk register? **Yes**
Separate risk register in place? **No**
The relevant risks contained in the register are refreshed and summarised below. **Yes**

82. A number of risks have been identified, listed below which if they materialise individually or collectively, could impede delivery of core services or raise questions about continued financial viability. The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
• **Interest rates** – an immediate and significant risk; these have been assumed at 3% for the 2021/22 budget and MTFS. Increases in excess of this over the life of the MTFS will put the BCHfL programme at risk as not all homes will be completed and generating sufficient rental streams to service the debt	In mitigation following the recent Budget 2020 announcement, where the Chancellor reversed the recent 1% hike in the interest rate for the Public Works Loan Board (PWLB),the Authority is reviewing its borrowing strategy to secure more favourable rates in light of the reduction in PWLB rates and minimise rates	Amber

Risk Description	Mitigations	RAG Status
	increases.	
• **Inflation rates-**There is a potential adverse financial impact on the HRA as a result of high inflationary pressures. Rent increases are based on the September CPI figure, which was lower than expected at 0.5%.	In mitigation If inflation rises above that assumed in the budget generally, or spikes as a result of BREXIT, reductions in spend may need to be made or some of the growth recommended in the MTFS update removed	Amber
• **Rent increases** – Following 2021/22, there will be three further years of the September CPI plus 1% rent increases. Historically the ring-fenced account has relied almost solely on rent income to finance both revenue and capital works. Many changes in policy, including the four years of rent reductions, have made medium to long term planning difficult. These risks have increased with the removal of the debt cap, as the Council is making long term financing decisions, on capital investment, based on income streams set by the current policy After that, it is unclear what rent policy central government will set out for us to follow. Clearly, there is great uncertainty of how costs of running the service will increase with inflation over the coming years and so it is hoped that rent collected will be sufficient to meet the needs of the service. The current Business Plan assumes CPI only rent increases beyond this (at 2%-Governments' long-term target); if rent increases are below this from 2025 this will have an adverse impact on revenue balances.	In mitigation HRA reserves will be strengthened from 2023-24 and the Business Plan refreshed, and stress tested to ensure the Council's HRA remains viable.	Amber
• **Welfare reforms** – Currently one of the biggest risks to the account is a large increase in arrears. From April 2020 current tenant arrears have risen by 20% as at Qtr 2, to £717k. This was due to the impact of the COVID 19 pandemic and the measures put in place by the	To mitigate this position increased resources are being employed to help recover rent owed and signpost tenants to where they may seek support and the provision for bad debt has been increased to recognise that not all of the outstanding debt will be	Amber

Risk Description	Mitigations	RAG Status
Government, which included a suspension of evictions.	recovered.	
• **Delays to schemes –** GLA grant funding and additional borrowing will be linked to successful delivery of additional housing supply in line with agreed targets for start on sites and completions. Failure to deliver new supply in line with these targets could result in withdrawal of funding and/or borrowing which would result in lower or delayed rental income streams and potential write off costs to the revenue account.	In mitigation regular monitoring of new build schemes and update of the overarching HRA Business Plan will identify potential delays and appropriate action taken to substitute and expedite schemes ensuring full grant utilisation and keeping rental income in line with expectations. The BCHfL reserve can be deployed to offset unforeseen revenue costs if required.	Amber

83. In the light of these risks it is essential current targets for cost reductions are met and the cost base of the HRA kept under continuous review with the aim of strengthening reserves.

Procurement Implications

Any procurement arising from this report will be advised on supported by the procurement team and will be conducted compliant with the Public Contract Regulations [as amended] and the Contract Procedure Rules.

Legal Implications

Under section 103 of the Housing Act 1985 the terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant. The landlord authority is required to serve a preliminary notice on the secure tenant giving them advance notification of any change proposed to be made to the terms of their tenancy and inviting their comments. A preliminary notice is not required for variation of rent or payments in respect of services or facilities provided by the landlord. Although a preliminary notice is not required in respect of a variation to the rent (or services/facilities) charge, a notice of variation is needed and this must set out what the change is and the date on which it takes effect. The period between the date on which the notice is served and the date on which it takes effect must be at least four weeks or the rental period, whichever is the longer.

Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management, to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority must consider any representations made. The legislation sets out what matters of housing management relate to, but this does not extend to the rent payable under a secure tenancy or to charges for services or facilities provided by the authority.

The rent reduction requirements brought in under section 23 of the Welfare Reform and Work Act 2016 has now ended and has been replaced by the new rent standard, pursuant to a direction by the Secretary of State under section 197 of the Housing &Regeneration Act 2008, which permits Authorities to increase rents by CPI plus up to 1% for five years commencing April 2020.

Under section 74 of the Local Government & Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

Financial Implications

These are integral so are included in the body of the report.

Equalities implications / Public Sector Equality Duty

84. Pursuant to the Equality Act 2010 ("the Act"), the Council, in the exercise of its functions, has to have 'due regard' to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

85. When making decisions, the Council must take account of the equality duty and any potential impact on protected groups.

86. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme and no negative impacts on the protected groups are expected.

The recommendation to increase the capital programme will result in much need new genuinely affordable housing supply and will have a positive impact on the community and businesses alike.

Council Priorities

1. **Improving the environment and addressing climate change**
   The Planned Investment programme is being designed to address key climate change issues with a focus on renewable energy and efficiency in existing and new homes.

2. **Tackling poverty and inequality**
   The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough

3. **Building homes and infrastructure**
   Provision of additional housing will support the local community and economy thereby contributing to the wellbeing of residents and supporting community cohesion,

4. **Addressing health and social care inequality**
   Provision of additional housing will support health and social care of residents through high quality accommodation at affordable rents.

5. **Thriving economy**
   The Business Plan is designed to support the longer-term viability of the HRA which provides much needed housing and advice to residents and those at risk of becoming homeless

Section 3 - Statutory Officer Clearance

Statutory Officer:
Signed on behalf of Chief Finance Officer

Tasleem Kazmi

Date: 3rd February 2021

Statutory Officer:
Signed on behalf of the Monitoring Officer

Paresh Mehta

Date: 3rd February 2021

Chief Officer:
Signed off by the Corporate Director

Paul Walker

Date: 3rd February 2021

Head of Procurement:
Signed by the Head of Procurement

Nimesh Mehta

Date: 30th January 2021

Head of Internal Audit:
Signed by the Head of Internal Audit

Susan Dixson

Date: 29th January 2021

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: YES

EqIA cleared by: Dave Corby

Section 4 - Contact Details and Background Papers

Contact: Tasleem Kazmi, Finance Business Partner – Housing & Regeneration,
Tel 020 8416 5201 or email tasleem.kazmi@harrow.gov.uk

Background Papers:

HRA Business plan update
http://moderngov:8080/documents/g64843/Public%20reports%20pack%20Thursday%2008Oct2020%2018.30%20Cabinet.pdf?T=10

Draft HRA Budget 2021/22 and MTFS 2022/23 to 2023/24
http://moderngov:8080/documents/g64846/Public%20reports%20pack%20Thursday%2021-Jan-2021%2018.30%20Cabinet.pdf?T=10

Call-in waived by the Chair of Overview and Scrutiny Committee

NO

Appendix 1

HRA Budget 2021-22 and MTFS 2022-23 to 2023-24 – Expenditure

All figures in £s	**Budget 2021-22**	**Budget 2022-23**	**Budget 2023-24**
Employee Costs	2,507,840	2,507,840	2,509,660
Supplies & Services	861,550	860,120	860,120
Utility cost	599,640	599,640	599,640
Estate & Sheltered Services	3,415,730	3,399,510	3,421,350
Central Recharges	3,503,280	3,573,340	3,644,810
Operating Expenditure	10,888,040	10,940,450	11,035,580
Repairs – Voids	1,000,000	1,000,000	1,000,000
Repairs – Responsive	3,238,770	3,238,770	3,238,770
Repairs – Other	2,608,190	2,458,190	2,458,190
Repairs Expenditure	6,846,960	6,696,960	6,696,960
Contingency	150,000	150,000	150,000
Bad debt provision	150,000	150,000	150,000
Affordable Housing	477,150	477,150	477,150
Charges for Capital	7,091,740	8,242,890	8,848,010
Depreciation	7,530,870	7,611,640	7,601,630
Other Expenditure	15,399,760	16,631,680	17,226,790
Total Expenditure	33,134,760	34,269,090	34,959,330

Appendix 1 (continued)

HRA Budget 2021-22 and MTFS 2022-23 to 2023-24 – Income

All figures in £s	**Budget 2021-22**	**Budget 2022-23**	**Budget 2023-24**
Rent Income – Dwellings	(29,226,470)	(30,367,870)	(31,828,140)
Rent Income – Non Dwellings	(494,330)	(494,330)	(494,330)
Service Charges – Tenants	(1,639,250)	(1,643,580)	(1,656,390)
Service Charges – Leaseholders	(874,430)	(863,030)	(863,030)
Facility Charges	(577,170)	(577,170)	(577,170)
Interest	(3,000)	(3,000)	(3,000)
Other Income	(154,460)	(154,460)	(154,460)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
Total Income	(33,134,760)	(34,269,090)	(35,742,170)
In Year Deficit / (Surplus)	0	0	(782,840)
BALANCE brought forward	(6,346,710)	(6,346,710)	(6,346,710)
BALANCE carried forward	(6,346,710)	(6,346,710)	(7,129,550)

Average Rent & Service Charges – Social Rented Units   Appendix 2

Description	No. units	2020-21 weekly charge	2021-22 rent	2021-22 service charge	2021-22 total	Increase
Bedsit bungalow	19	£105.62	£104.18	£2.99	£107.17	£1.55
1 Bed bungalow	115	£115.79	£115.02	£2.48	£117.50	£1.71
2 Bed bungalow	27	£131.90	£129.91	£3.93	£133.84	£1.94
Bedsit flat	82	£91.21	£88.14	£2.99	£91.13	-£0.08
1 bed flat	1,180	£101.24	£98.80	£3.92	£102.72	£1.48
2 bed flat	783	£115.27	£112.44	£4.51	£116.95	£1.68
3 bed flat	42	£127.84	£124.43	£5.28	£129.70	£1.87
1 bed Maisonette	6	£94.22	£95.17	£0.45	£95.62	£1.41
2 bed Maisonette	48	£114.17	£111.90	£3.94	£115.85	£1.68
3 bed Maisonette	44	£127.39	£124.55	£4.71	£129.26	£1.87
4 bed Maisonette	1	£133.51	£135.51	£0.00	£135.51	£2.00
2 bed Parlour House	34	£127.03	£127.56	£1.36	£128.92	£1.89
3 bed Parlour House	522	£139.97	£140.16	£1.89	£142.05	£2.08
4 bed Parlour House	55	£152.96	£152.43	£2.73	£155.15	£2.20
5 & 6 bed Parlour	10	£163.99	£157.30	£9.07	£166.36	£2.37
2 bed Non Parlour	497	£123.19	£122.79	£2.22	£125.01	£1.83
3 bed Non Parlour	707	£135.08	£134.73	£2.36	£137.09	£2.00
4 bed Non Parlour	33	£149.19	£148.10	£3.30	£151.40	£2.21
5,6 & 7 bed Non	6	£161.14	£162.27	£1.28	£163.55	£2.41
Sheltered bedsit	12	£101.01	£90.09	£12.31	£102.40	£1.39
Sheltered – other units	500	£100.43	£98.38	£3.53	£101.90	£1.47
Non sheltered	**4,211**	**£119.52**	**£118.01**	**£3.26**	**£121.28**	**£1.76**
Sheltered	**512**	**£100.45**	**£98.18**	**£3.73**	**£101.92**	**£1.47**
Total	**4,723**	**£117.45**	**£115.86**	**3.32**	**£119.18**	**£1.73**

Average charge for social rented units 2020-21 was £117.45 per week comprising £114.15 rent, £3.30 service charge compared to budgeted £114.13 and £3.30 per week respectively.

Estimated average charge 2021-22 is £119.18 per week comprising £115.86 rent, £3.32 service charge, reflecting rent increase of CPI + 1% where September CPI is ½% and just CPI for tenant service charges.

Average Rent – Affordable Rented & Shared ownership Units
Appendix 2 (continued)

Description	No. units	2020-21 rent	2021-22 rent	Increase
1 bed flat	17	£169.68	£172.22	£2.55
2 bed flat	49	£195.35	£198.28	£2.93
3 bed flat	10	£209.33	£212.47	£3.14
2 bed Parlour House	1	£137.86	£139.93	£2.07
3 bed Parlour House	1	£208.45	£211.58	£3.13
3 bed Non Parlour House	9	£208.21	£211.34	£3.12
4 bed Non Parlour House	4	£225.39	£228.77	£3.38
3 bed Parlour House (shared ownership)	5	£196.86	£199.82	£2.95
Total	**96**	**£197.31**	**£200.27**	**£2.96**
Affordable rented	91	£194.19	£197.11	£2.91
Shared ownership	5	£196.86	£199.82	£2.95
Total	**96**	**£197.31**	**£200.27**	**£2.96**

Ninety-six new homes have completed; table above shows average rents for 2021-22 reflecting average rent increase of CPI + 1% where September CPI is ½%.

Council initially has equity of 65% to 75% in shared ownership units with option for the tenant to purchase additional equity in future.

Garages & parking space charges **Appendix 3**

All in £s	Current Weekly Rental 2020-21	Proposed Weekly Rental 2021-22
Garages	14.05	14.05
Car Spaces	9.16	9.16

Facility Charges **Appendix 4**

Sheltered Block	**No. of properties**	**Current average weekly facility charge (Heating) 2020-21**	**Proposed average weekly facility charge (Heating) 2021-22 0% increase**
Alma Court	30	17.02	17.02
Belmont Lodge	30	17.02	17.02
Boothman House	30	17.02	17.02
Cornell House	30	17.02	17.02
Durrant Court	27	17.02	17.02
Edwin Ware Court	30	13.24	13.24
Goddard Court	30	17.02	17.02
Grahame White House	30	17.02	17.02
Grange Court	30	13.24	13.24
Harkett Court	30	17.02	17.02
Harrow Weald Park 0 Bed	12	11.50	11.50
Harrow Weald Park 1 Bed	19	15.54	15.54
Harrow Weald Park 3 Bed	1	23.10	23.10
John Lamb Court	32	17.88	17.88
Meadfield	30	17.02	17.02
Sinclair House	27	17.02	17.02
Tapley Court	26	17.02	17.02
Thomas Hewlett House	30	17.02	17.02
William Allen House	29	13.24	13.24
Resident Warden Accommodation	9	24.83	24.83
Other Non-Sheltered	101	14.67	14.67

Water Charges **Appendix 5**

Sheltered Block	No.of flats	Current Range Water Charge 2020-2021		Proposed Range Charge at 0% increase for 2021-2022	
		Lower	Higher	Lower	Higher
Alma Court	30	£5.87	£5.87	£5.87	£5.87
Edwin Ware Court	30	£4.99	£6.49	£4.99	£6.49
Grange Court	30	£4.99	£6.20	£4.99	£6.20
John Lamb Court	32	£6.20	£6.20	£6.20	£6.20
William Allen House	29	£4.99	£6.20	£4.99	£6.20
Total No of Sheltered Flats	**151**				
Resident Warden Accommodation	3	£7.89	£8.73	£7.89	£8.73
Total Sheltered Flats incl Warden	**154**				

Responsibility for collection of water charges has been transferred for the majority of HRA properties to the water company. The Council collects water charges for remaining properties which have not yet been transferred to water company.

Community Centres **Appendix 6**

Community Hall and Capacity	Current 2020-21 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2021-22 Charges per hour letting 0% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Marsh Road Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Brookside Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Woodlands Hall [max 60]	41.06	20.52	56.05	41.06	20.52	56.05
Churchill Place [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Kenmore Park [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Pinner Hill Hall [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Pinner Hill [max 100]	52.63	23.67	65.79	52.63	23.67	65.79

Terms & Conditions associated with Hall lets:

- Lets to Tenants & Residents Assocs free, providing 4 weeks' notice provided.
- Charges shown are exclusive of VAT at 20% and Insurance Premium at 7%
- Day time rates are from 9.00am to 3.30pm
- Commercial lets will be charged at above hourly rates plus 20%.
- Registered Charities will receive a discount of 50% (9.00am to 3.30pm only).
- Block Bookings of 6 months minimum will receive a 25% discount.
- Refundable deposit of £100 against loss or damage required by all other users.

Of the 10 community centres, there are a number of premises that are fully let and supported by lease agreements and therefore charges not levied in accordance with the above schedule. These are:

- Stonegrove Gardens fully let to nursery on lease agreement £12,700 rent pa
- Pinner Hill hall partly let as nursery on lease agreement of £5,200 rent pa
- Churchill Place hall partly let as nursery on lease agreement of £13,000 rent pa

HRA Capital Programme **Appendix 7**

Budget Description including additions / re-profiling (£)	MTFS				Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative
Main programme	4,345,866	10,316,010	4,050,000	4,050,000	4,050,000	4,050,000	30,861,876
Retrofit for energy efficiency	0	1,000,000	1,000,000	1,000,000	0	0	3,000,000
Housing IT system	412,750	796,280	178,880	0	0	0	1,387,910
Aids & Adaptations	845,000	845,000	845,000	845,000	845,000	845,000	5,070,000
Planned investment	5,603,616	12,957,290	6,073,880	5,895,000	4,895,000	4,895,000	40,319,786
Grange Farm phase 1	6,185,490	15,811,940	2,632,450	432,490	0	0	25,062,370
Grange Farm phase 2	4,000,000	975,000	1,800,000	6,037,500	2,537,500	3,052,940	18,402,940
Other schemes	5,688,927	61,079,254	43,042,596	10,672,987	1,145,472	0	121,629,236
Building Council Homes for Londoners (BCHfL)	15,874,417	77,866,194	47,475,046	17,142,977	3,682,972	3,052,940	165,094,546
Total HRA Capital Programme	21,478,033	90,823,484	53,548,926	23,037,977	8,577,972	7,947,940	205,414,332

2020-21 and 2021-22 both include slippage estimates from prior years. Slippage from 2019-20 totalled £15.345m

Summary of additions / reductions included in the capital programme over the term of the MTFS and two years beyond are summarised below:

Additions included in programme above (£)	MTFS				Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative
Main programme	-400	2,595,400	670,000	5,895,000	4,895,000	4,895,000	18,950,000
Housing IT system	-50,000	474,060	178,880	0	0	0	602,940
Grange Farm phase 2	0	0	0	0	0	100,000	100,000
Other schemes	0	13,447,190	9,657,980	7,860,370	1,145,470	0	32,111,010
Total HRA Capital Programme	-50,400	16,516,650	10,506,860	13,755,370	6,040,470	4,995,000	51,763,950

Summary of re-profiling included in the capital programme summarised below:

Additions included in programme above (£)	MTFS				Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative
Main programme	-4,340,610	4,340,610	0	0	0	0	0
Housing IT system	-322,230	322,230	0	0	0	0	0
Grange Farm ph 1	-9,550,760	6,485,820	2,632,450	432,490	0	0	0
Grange Farm ph 2	3,900,000	-9,128,580	-6,299,360	6,037,500	2,537,500	2,952,940	0
BCHfL other	-19,214,710	13,589,470	2,812,620	2,812,620	0	0	0
Total HRA Capital Programme	-29,528,310	15,609,550	-854,290	9,282,610	2,537,500	2,952,940	0

Report for:	**GOVERNANCE, AUDIT, RISK MANAGEMENT and STANDARDS COMMITTEE**
Date of Meeting:	1 December 2020
Subject:	Draft GARMS Committee Annual Report 2019/20
Responsible Officer:	Dawn Calvert – Director of Finance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Draft Annual Report 2019/20

Section 1 – Summary and Recommendations

This report sets out the draft GARMS Committee Annual Report 2019/20 for Council in compliance with the requirements of the GARMS Committee's Terms of Reference.

Recommendations:

The Committee is requested to:

- Consider the draft report attached at Appendix 1;
- Provide any comments/changes required to the report;
- Agree any recommendations the Committee may wish to make as part of the report;
- To delegate to the Head of Internal, following consultation with the Chair, the production of a foreword be added to the report;
- Agree, subject to the above, for the report to be presented to Council.

Section 2 – Report

2.1 The GARMS Committee's Terms of Reference requires the committee to:

- report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- report to full Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- publish an annual report on the work of the committee.

2.2 Appendix 1 is the draft report for 2019/20. This is the second annual report and, taking on the committee's comments regarding the length of the first report, the detail explaining the committee's responsibility under each element of its remit has been removed with the intention of appending the committee's Terms of Reference instead to provide this detail. The detailed appendix listing all reports considered by the committee during the year has also be removed and replaced with a summary of reports presented and a flavour of the queries raised by members of the committee in fulfilling their remit.

Legal Implications

2.3 Completing an annual report is recommended in CIPFA practical guidance to Local Authorities.

Financial Implications

2.4 There are no financial implications to this report.

Risk Management Implications

Risk included on Directorate risk register? ~~Yes~~/No
Separate risk register in place? ~~Yes~~/No

2.5 If an Annual Report is not provided to Council the Committee will not be fulfilling their Terms of Reference and will not be complying with best practice as set out in the CIPFA guidance.

Equalities implications / Public Sector Equality Duty

2.6 Was an Equality Impact Assessment carried out? ~~Yes~~/No (n/a)

Council Priorities

2.7 The GARMS Committee contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer:
Signed by the Chief Financial Officer: Dawn Calvert

Date: 17/11/20

Statutory Officer:
Signed on behalf of the Monitoring Officer: Jessica Farmer

Date: 19/11/20

Statutory Officer:
Signed by the Corporate Director: Charlie Stewart

Date: 19/11/20

Mandatory Checks

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

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud, 208 424 1420

Background Papers: None.

If appropriate, does the report include the following considerations?

1.	Consultation	N/A
2.	Priorities	N/A

Annual Report of Harrow Council's Governance Audit, Risk Management & Standards Committee

2019/20

Chair’s Foreword – to be updated for 2019/20

I am very pleased to present this Governance, Audit, Risk Management and Standards Committee Annual Report for 2018/19 to Full Council.

The report shows that the GARMS Committee has undertaken its role effectively; covering a wide range of topics and ensuring that appropriate governance and control arrangements are in place to protect the interests of the Council. The Committee considered and reviewed a number of policy areas throughout the past year and this can be seen within the programme of works appendix in the report.

The Committee has ensured that best practice has been followed throughout our workings and where issues need to be raised, they have been discussed at length at Committee meetings and the right level of scrutiny and challenge has occurred.

As the Chair of the Committee I would like to express my appreciations to the Council officers for their robust work throughout the year along with our external auditors. I also express my thanks to the Committee members for their contributions this year in carrying out the vital and important responsibilities the Committee oversees.

Cllr. David Perry

Chairman - Governance, Audit, Risk Management & Standards Committee

Suggestions for inclusion for 2019/20

- Change of committee membership during the year.
- As this is the second year of presenting an annual report the detailed explanation of the role of the committee in each area of the committee’s remit has been omitted however the committee’s terms of refence providing this detail is attached.

Introduction

1. The purpose of the Governance, Audit, Risk Management and Standards (GARMS) committee is to provide independent assurance to the members of the adequacy of Harrow Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.

Terms of Reference and Membership

2. The Committee’s Terms of Reference requires the Committee:

- To report to those charged with governance on the committee’s findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- To report to full Council on an annual basis on the committee’s performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee.

3. The membership of the Committee for 2019/20 consisted of the following:
    - Councillor David Perry (Chair)
    - Councillor Ghazanfar Ali
    - Councillor Peymana Assad
    - Councillor Maxine Henson (April 2019 – Dec 2019)
    - Councillor Kairul Kareema Marikar (From January 2020)
    - Councillor Philip Benjamin
    - Councillor Amir Moshenson
    - Councillor Kanti Rabadia (Vice-Chair)

4. The Committees membership rules state that:
    - An Elected Mayor, the Leader or a member of the Executive may not be Members;
    - The Chair of the Committee must not be a Member of the Executive;

    These rules were complied with during 2019/20.

5. The Committee usually meets 5 times a year (April, July, September, November/December and January) however during 2019/20 the December meeting was cancelled.

The Committee’s Programme of Work

6. The Committee has a broad remit that includes:
    - Governance
    - Risk Management
    - Countering Fraud and Corruption
    - Internal audit
    - External audit
    - Financial reporting
    - Treasury Management
    - Health & Safety
    - Standards

7. The following sections provide details on each area and the Terms of Reference (attached) specifies the Committee's powers and duties within each area of responsibility.

Governance

8. The committee received a report on the 2018/19 Annual Governance Statement that included an Evidence Table detailing the assurances obtained to support the statement. This included assurances from the Council's Legal and Finance teams, assurance on arrangements to secure vfm, assurance on how the Council's framework of assurance addresses the risks and priorities of the Council and assurances on arrangements for the Council's significant partnerships.

9. The Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control and the rationale behind it was reported to the committee at the same meeting as part of the Internal Audit Year-end report and was also included in the Annual Governance Statement. The opinion stated that:

   The adequacy and effectiveness of organisation's control environment for the 2018/19 financial year has been assessed as "good with improvements required in a few areas".

10. The statement itself detailed progress on the significant gaps identified as part of the 2017/18 Annual Governance Statement.

11. Two additional governance reports were considered by the committee during the year, one covering the Committee on Standards in Public Life Review of Local Government Ethical Standards and another on the Removal of Risk Based Verification in the Administration of Housing Benefit and Council Tax Support.

Risk Management

12. During 2019/20 the committee received three reports on risk management, one covering the Corporate Risk Register for Quarter 4 2018/19, one covering the Quarter 1/Quarter 2 register for 2019/20 and the other covering the Quarter 3 update of the register. These reports enabled the committee to monitor progress of risk-related issues facing the Council.

13. The Council's risk management strategy was not presented to the committee during 2019/20, although it was previously approved by the committee, as although planned it was not reviewed/updated during this time. The strategy is however currently under review by officers and will be presented to the committee for review during 2020/21.

14. During the year Members suggested a number of matters that ought to be included in the Risk Register and the Head of Internal Audit and Corporate Anti-Fraud undertook to refer these to the Council's Corporate Strategic Board (CSB) for consideration.

Countering Fraud and Corruption

15. During 2019/20 the committee received reports on the corporate anti-fraud plan of work for 2019/20 for approval, the year-end report covering the output and performance of the Corporate Anti-Fraud Team for 2018/19 and a mid-year report on progress against the 2019/20 agreed plan of work.

16. During the year Members raised several queries including the following:- the number of housing tenancies recovered; Right to Buy applications; Blue Badge fraud; internal fraud; corruption referrals; the level of CAFT resources; the timescale for establishing a methodology for assessing fraud loss and the procedures used for recovering losses suffered through fraud and the sums involved; how the target for recovery of social housing units was derived and what drives the priorities for anti-fraud work. Assurance on these were provided by the Corporate Anti-Fraud Manager.

Internal Audit

17. The internal audit charter is presented and approved by the GARMS Committee on an annual basis, in 2019/20 this went to the April meeting along with the internal audit plan of work for 2019/20 for approval.

18. The committee also received a year-end report covering output and performance of internal audit for 2018/19, a mid-year report on the performance of internal audit against the agreed plan was provided in January 2020 and a report on the internal audit planning process.

19. During the year the committee considered 3 red and 1 red/amber assurance internal audit reports as well as 2 follow-ups of red and 1 follow-up of a red/amber assurance report from the 2018/19 internal audit plan. Managers from the relevant services attended the GARMS Committee meetings for these items to answer Members questions and provide assurance on action being taken to address audit recommendations.

20. In addition the committee received the final internal audit report on the review of the Audit Committee, agreed the template for the committee's annual report and approved the draft annual report for presentation to Council.

21. The Annual Governance Statement that includes a report on the effectiveness of internal audit was considered and approved by the committee in July 2019 (as above).

22. The Head of Internal Audit was provided with free and unfettered access to the GARMS Committee Chair during 2019/20.

23. During 2019/20 there were no new proposals made in relation to the appointment of external providers of internal audit services and no external providers were used during the year.

24. Members raised a number of queries with regard to Internal Audit during the year including the length of time taken to complete a particular audit review; the Directorate with the highest number of amber and red reviews during 2018/19 and on red assurance reports.

External Audit

25. The new external auditors (Mazers) presented reports on the 2018/19 Statement of Accounts and the Harrow Pension Fund in July 2019 along with a report on the 2019/20 External Audit Plans (Audit Strategy Memorandums) and their report on Returns and Certifications covering the results of grant work for 2018/19 in January 2020.

26. The external auditor's assessment of their independence was included in Mazar's Audit Strategy Memorandum 2019/20 presented to the committee in January 2020.

27. The Annual Audit Letter for 2018/19 received in November 2019 was not however formally presented to the committee due to the cancelation of the December GARMS Committee meeting. The letter provided an unqualified opinion on the Authority's financial statements for 2018/19 and an unmodified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2018/19. No recommendations were made for 2018/19. This was in line with the external auditor's draft assessment provided verbally to the committee in July.

28. The external auditors reported to the committee that the Council had presented a good quality set of accounts and working papers and the external auditors' analysis of risks had revealed no significant issues and thanked the Housing Benefits Team for the good work that they had done in preparation for the audit which helped the audit to be undertaken efficiently.

29. The Chair was pleased at the external auditors' acknowledgement of the quality of officers' work on the accounts, and at the positive assessment of the Council's financial management reflected in the auditors' provisional judgements; he considered this to be a significant achievement especially against a background of severe financial pressures on local government.

30. Members queried the lack of recommendations on internal controls; the assessment of the decision-making process related to the Council's regeneration programme; vfm; regeneration spend; materiality judgement; assurance taken from Internal Audit; unanticipated spend; commercial properties; the new Code of Audit Practice due to be adopted in January 2020 and group audit approach on the Council's trading companies; the Housing Benefit Subsidy and these were addressed by the External Auditors and the Head of Internal Audit.

Financial Reporting

31. The committee received a report in April 2019 on how they wished to receive the 2018/19 draft Statement of Accounts for review to accommodate the earlier deadline for publishing the accounts and it was agreed that the draft Statement of Accounts be sent to all Members of the Committee by email and that they contact the Director of Finance with any questions or comments.

32. The final Statement of Accounts 2018/19 and the Pension Fund Accounts were presented to the committee in July 2019. The publishing of the Statement of Accounts makes public the Council's financial performance for the year of account. They provide public information on the Council's financial performance, and are a substantial part of the process by which the Council is held accountable to the public for the proper management and stewardship of the Council's resources.

33. The external audit report on the accounts was appended to this report as described in the section on external audit above.

34. In addition to the queries noted in paragraph 30 above Members questioned the treatment of a particular case on pensions liabilities; the significant swing in the valuation of pension fund investments; the figures for the Council's contributions to the pension fund

Treasury Management

35. The committee considered three reports on Treasury Management during the year, the 2019/20 Capital Strategy in April, the 2018/19 outturn report in July and the 2019/20 mid-year report in January 2020.

36. Members asked a number of questions in relation to the various tables set out in the appendices to the reports. They enquired about the impact on the Council's finances and the increase in debt of 70% and whether this was the Council's recommended strategy. Questions from Members also related to the authorised level of debt and why more had been budgeted for, and whether capital financing requirements boundaries could exceed. Members also raised queries regarding the total borrowing figure, the affordability of borrowing, the percentage increase in the level of borrowing and cash investments which were addressed by the Director of Finance and the Treasury and Pensions Manager.

Health & Safety

37. During the year the committee received the Annual Health & Safety report summarising the Council's health and safety performance for 2018/19 and providing an update of activities together with statistics on training, audits and accidents, including schools.

38. Members raised queries about physical assaults in schools, the coordination of reporting process between schools and the Council, insurance claims and incidents of self-harm that were responded to by the Head of Community and Public Protection.

39. The Chair was pleased to see no enforcement cases involving the Health and Safety Executive (HSE); the Council had maintained a positive, proactive and open relationship with the HSE.

Standards

40. As mentioned in paragraph 11 under governance a report covering the Committee on the Standards in Public Life Review of Local Government Ethical Standards was presented and the best practice principles were adopted by the committee in July 2019.

Conclusion

41. The Committee has successfully fulfilled its purpose/roles and responsibilities as outlined in its agreed Terms of Reference.

Report for:	**Pension Board**
Date of Meeting:	2 December 2020
Subject:	Pension Board Draft Annual Report 2019-20
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1: Pension Board Draft Annual Report 2019-20

Section 1 – Summary and Recommendations

The Pension Board's Terms of Reference require the presentation of an annual report to the Full Council. This report sets outs actions taken by Pension Board in the year to 31st March 2020 and invites the Board to agree any further comments or changes that it wishes to make to the report.

Recommendations:
The Board is requested to review and comment on the draft annual report and subject to any amendments, to refer the final report to the Council.

Section 2 – Report

1. The Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013. Its role is to assist the Council as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:
    - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS,

- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters as the LGPS regulations may specify

2. The Board's Terms of Reference require it to present a report on its work to Full Council once a year. The draft report, which covers the Board's work in the year to 31 March 2020, the fifth year of its operation, is attached at appendix 1.

Legal Implications

3. None

Financial Implications

4. Whilst this report discusses matters relevant to the financial standing of the Pension Fund there are no financial implications arising directly from it.

Risk Management Implications

5. Relevant risks are included in the Pension Fund Risk Register, which is the subject of a report elsewhere on this agenda.

Equalities implications / Public Sector Equality Duty

6. Was an Equality Impact Assessment carried out? No
   There are no direct equalities implications arising from this report.

Council Priorities

7. Investment performance has a direct impact on the financial health of the Pension Fund. This directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer

Date: 19 November 2020

Statutory Officer: David Hodge
Signed on behalf of the Monitoring Officer

Date: 17 November 2020

Statutory Officer: Charlie Stewart
Signed by the Corporate Director

Date: 18 November 2020

Mandatory Checks

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Consultant
Email: Jeremy.randall@harrow.gov.uk

Background Papers: None

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LONDON BOROUGH OF HARROW PENSION BOARD

2019/20 ANNUAL REVIEW (Draft)

Background

The Local Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013 (The Act).

The Pension Board has responsibility for assisting the Council as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters as the LGPS regulations may specify.

The Act provides for the Board membership to be of equal numbers of "employer representatives" and "scheme member representatives". In addition we have an Independent Member who is currently the Chair of Pension Board.

Harrow Pension Board's Terms of Reference require the Board to present a report on its work to the Full Council once a year.

This report covers the work of the Pension Board to 31st March 2020 - the fifth year of operation of the Harrow Pension Board.

Meetings

Pension Board normally meets quarterly and held its first meeting on 25 June 2015. The current Chair, Richard Harbord and Vice Chair, Gerald Balabanoff were appointed at that meeting and have been re-appointed to those posts annually since that date.

The Board's Terms of Reference indicate that it will meet at least twice and not more than four times a year. The Pension Regulator's expectation is that LGPS Pension Boards will meet four times a year.

During 2019-20, the Board met three times, as its fourth meeting would have taken place shortly after the start of the first "national lockdown" arising from the global covid-19 pandemic.

<u>Role and Terms of Reference</u>

We understand our role and are generally happy with the generic nature of the Terms of Reference, which we reviewed in October 2019. However, our view is that we should meet more than twice a year and that the periods of office of the various members should be staggered to avoid the potential loss of too much experience at one time.

We recorded our concern that there have been two vacant positions on the Board, for a representative of the “other employers (i.e. not Harrow Council) and a representative for the active (contributing) scheme members, and requested officers to prioritise recruitment to these vacancies.

We have also requested that the membership of Pension Board is extended to ensure that each meeting is quorate. The current terms of reference make no provision for reserve members.

We have also requested that all reports from Pension Fund Committee, including exempt reports, be made available for review by Pension Board on a timely basis.

Knowledge and Understanding of the Local Government Pension Scheme

To assist in our understanding and to assist in our scrutiny role, we have been provided with a large amount of information about the Scheme, usually with an officer’s commentary, including

- Annual Report and Accounts
- Governance Compliance Statement
- Communication Policy Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Actuarial Valuation Reports from the Fund Actuary
- Pension Fund Risk Register
- Policy for Reporting Breaches of Law
- Investment Manager Internal Control Reports

Relationship with Pension Fund Committee

At each meeting, the Board have been advised of the agendas of, and decisions taken by, the Pension Fund Committee at its recent meetings. Our views have, in turn, been reported to the Committee. The Board has also been invited to attend the Committee meetings and the training sessions held prior to each meeting.

A recurring theme throughout the year has been legal advice that members of the Board are not entitled to remain at the Committee’s meetings when exempt papers are discussed even though Board members are expected to abide by the Council’s Code of Conduct.

From 2018-19 onwards, the Pension Board has been referring Pension Board minutes and recommendations to Pension Fund Committee.

Annual Report and Financial Statements

We were again invited to consider the Annual Report and Financial Statements for the Pension Fund, together with their various attachments and the reports of the Auditor. The areas in which we expressed particular interest have been:

- Actuarial assumptions and actuarial valuation results
- Employer contributions

- The prospect of the funding deficit being recovered in 20 years
- The performance of the Fund and the way it is discussed in reports to facilitate the scrutiny process
- The effectiveness of investment managers internal controls
- Local Government Pension Scheme Pooling Arrangements through the London Collective Investment Vehicle (LCIV)

We have received reports on the Scheme Advisory Board's Good Governance Review, the London Collective Investment Pooling arrangements and outcome of the 2019 triennial valuation.

<u>Benchmarking and key performance indicators</u>

We have shown particular interest in benchmarking and key performance indicators.

Traditionally, reliable benchmarking and comparison information covering all administering authorities has not been available. However, recent Government requirements in the context of the pooling arrangements have necessitated the provision of relatively consistent information from all administering authorities.

We have also asked for refinement to pension administration reporting to better understand performance against key performance indicators. KPI's have been considered as a standing item since June 2017. Pension Board receives confirmation of breaches of law and has been assured that annual benefit statements are issued on time.

<u>Environmental, Social and Governance Issues (ESG)</u>

The Board supports the Committee's stance in expecting fund managers to adopt appropriate codes of practice and that they are required to provide an explanation when they do not. We have also requested information on the LCIV approach to ESG.

Training

Pension Board members are invited to the regular training sessions which take place before pension Fund Committee meetings and Board members have also availed themselves of other relevant training including that offered by CIPFA.

Conclusion

The regulations governing Pension Boards are contained in the Local Government Pension scheme (Amendment) (Governance) 2015 Regulations 2015 (SI2015/57)

The main provisions are:

"(1) Each administering authority shall no later than 1st April 2015 establish a pension board ("a local pension board") responsible for assisting it -
(a) to secure compliance with -

(i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

Essentially the role of the Pension Board is one of Scrutiny and our role is wholly advisory.

Pension Board is struggling to fulfil its role because of the problems to date in recruiting and retaining Board Members. The Board has recommended that its Terms of Reference are amended to increase Board representation to ensure that each meeting is quorate.

Despite the disruption towards the end of the year, the fifth year has been one of further training, understanding the role and scrutinising the outcome of the actuarial valuation and areas of key interest such as management fees internal control reporting, compliance with external audit recommendations and maintaining good pension administration performance.

The Board looks forward to consolidating performance in the current year and continuing to develop its role as an effective body for scrutiny and improvement.