

Cabinet Supplemental Agenda

Date: **Thursday 10 February 2022**

Agenda - Part I

**KEY 11. Final Revenue Budget 2022/23 and Medium-Term Financial Strategy
2022/23 to 2024/25 (Pages 3 - 98)**

Report of the Director of Finance.

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Report for: Cabinet

Date of Meeting:	10 February 2022
Subject:	Final Revenue Budget 2022/23 and final Medium Term Financial Strategy 2022/23 to 2024/25
Key Decision:	Yes – affects all wards
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor Natasha Proctor – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	No - decisions reserved to Council
Wards affected:	All
Enclosures:	<p>Appendix 1A – Growth/Reversed savings and savings from 2021/22 and 2022/23 Budget Process</p> <p>Appendix 1B – Savings and Growth 2022/23 from the 2020/21 Budget Process</p> <p>Appendix 2 - Medium Term Financial Strategy 2022/23 to 2024/25</p> <p>Appendix 3 – Revenue Budget Summary 2022/23</p> <p>Appendix 4 – Levies, contributions, and subscriptions</p> <p>Appendix 5 – Policy on use of contingency</p> <p>Appendix 6 - Schools Budget 2022/23</p> <p>Appendix 7 - Public Health Budget 2022/23</p> <p>Appendix 8 – Reserves Policy</p>

Appendix 9 – Reserves Forecast

Appendix 10 – Report of the Chief Finance Officer

Appendix 11 – Model Council Tax Resolution

Appendix 12 – Members Allowance Scheme 2022/23

Appendix 13 – Annual Pay Policy Statement for 2022/23

Appendix 14 – Flexible Use of Capital Receipts

Appendix 15 – Summary of EQIA for Saving Proposals 2022/23

Appendix 16 - Summary of Resident Consultation

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2022/23 and final Medium Term Financial Strategy (MTFS) for 2022/23 to 2024/25. In December 2021, Cabinet approved the draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

- 1) Recommend the 2022/23 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2022/23 to be set (Appendix 15).
- 2) Recommend the Model Council Tax Resolution 2022/23 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 2022/23 and 2024/25 and the budget gap of £16.593m for 2023/24 (Table 2a).
- 6) Note the use of £14.7m Budget Planning Reserve MTFS to achieve the balanced budget position for 2022/23, which is reversed out in the following year (Table 2a, paragraph 1.49).
- 7) Note the intention to increase Council Tax by 1.99% in 2022/23 (Paragraph 1.13 and 1.21).
- 8) Note the intention to increase Council Tax by a further 1% in 2022/23 in respect of the Adult Social Care Precept (Paragraph 1.13 and 1.21).
- 9) Note the 2022/23 budgets for Schools and Public Health as set out in Appendices 6 & 7.
- 10) Note the assumed funding for the protection of social care 2022/23 through the BCF as set out in paragraphs 1.62 to 1.65.
- 11) Note the requirement to develop a robust finance strategy to address the predicted MTFS shortfall of £16.593m ready for presentation to the incoming administration in May 2022 (Paragraphs 1.69 to 1.73).
- 12) Recommend the 2022/23 Members Allowance Scheme to Council for approval (Appendix 12).
- 13) Recommend the 2022/23 Annual Pay Policy Statement to Council for approval (Appendix 13).
- 14) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 14).

Reason: (For recommendations)

To ensure that the Council sets a balanced budget for 2022/23.

Section 2 – Report

BACKGROUND

- 1.1 Prior to the Covid-19 pandemic, Local Government finances continued to have a very difficult decade. A number of bodies, over recent years, have published studies which paint a similar picture of the challenges faced by the sector. In its recent publication ‘The Local Government Finance System: Overview and Challenges’, the National Audit Office provided an insight into such challenges affect the sector as a whole including:

- After removing Council Tax, spending power funded by central government fell in real terms by more than 50% on a like for like basis

between 2010/11 and 2020/21 with the reliance on Council Tax growing significantly over this period.

- Funding reductions have coincided with growing service demand and cost pressures:
 - The population has grown by 7% since 2010/11.
 - Between 2010/11 and 2019/20 the number of adults aged 65 to 84 has increased by 21% and those over 85 have increased by 20%
 - Overall gross spending on Children's social care has increased by 17% between 2010/11 and 2019/20
 - The number of homeless households in temporary accommodation has increased from approximately 48,000 in 2010/11 to approximately 92,000 by 2019/20

1.2 In their publication 'Local Government Funding – Moving the conversation' (June 2018) the Local Government Association shared a similar picture about the whole sector with 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.

1.3 In their press release following Spending Review 21, London Councils highlighted the specific challenges for London with borough's seeing a 25% reduction in funding since 2010 even though population growth means there are now a million more Londoners.

1.4 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. Throughout the pandemic London Councils have monitored the financial impact of Covid-19 on boroughs using the monthly returns submitted to the Department for Levelling Up, Housing and Communities (DLUHC). In autumn 2021, findings show that Boroughs are forecasting just over £1b of additional funding pressures in 2021/22 and funding announced is approximately one third short.

1.5 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 2022/23:

Table 1: Summary of Key Financial Changes 2013/14 to 2022/23

	Revenue Support Grant	Demand Led Growth	Technical Growth	Savings	Additional Revenue from Council Tax	Business Rate	Revised Budget Requirement	Amount to be raised from Council Tax	Council Tax as a % of Budget Requirement
	£000	£000	£000	£000	£000	£000	£000	£000	%
2013/14	52.1	10	10	-22	-1.8	14.7	181,063	93,039	51
2014/15	42.6	5.5	-2.1	-10	-1.9	14.5	174,426	95,067	55
2015/16	32	7.7	5.9	-20.6	-3.4	14	166,171	98,496	59
2016/17	21.9	4.7	9.5	-16.6	-6.8	13.2	164,987	105,256	64
2017/18	13	10.7	-0.6	-10.2	-7.3	14.4	164,804	112,530	68
2018/19	7.3	9.8	1.7	-7.4	-5.3	14.4	168,917	117,804	70
2019/20	1.6	7.4	-4	-5.2	-8.5	14.4	167,081	126,295	76
2020/21	1.6	5.1	5.7	-3.8	-7.2	14.9	174,762	133,492	76
2021/22	1.6	16.5	-6.7	-3.6	-6.4	14.9	178,856	139,706	78
2022/23	1.6	4.2	-1.3	1.0	-6.5	15.1	183,285	146,185	80
Total	50.5	81.6	18.1	-98.4	-55.1				

Over the 10-year period, the 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 £183.2m.
- In addition to the RSG, the Council does receive several other grants to support services. In the current financial year government grants are estimated at £348m however these grants are all ring fenced to specific areas of activity and cannot be used to support the core budget. The most significant of the grants include the Dedicated Schools Grant (£138m), Housing Benefits Grants (£116m) and Public Health Grant (£11m). The RSG is un ringfenced and the Council has the discretion to spend it across all services hence why its reduction has caused significant challenges.
- Until SR 21 and the allocation of the Core Spending Grant, the Council has not received additional funding to meet demographic and inflationary pressures. Therefore, growth of circa £81.6m 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 £18.1m 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 over £150.0m to achieve a balanced budget.
- Savings and efficiencies of £98.4m 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 over its MTFS.
- Council Tax has been increased largely just below referendum limits and full use has been made of the Adults Social Care precept, both of which are in line with central government expectation. Again for 2022/23, the Council has limited options and is proposing the maximum allowable increase in Council Tax of 1.99% plus 1% Adult Social Care Precept which increases the transfer of responsibility onto the council taxpayer to 80%. It is important to note that again the Council is following central government expectations in terms of Council Tax increases as per their spending power calculations.

1.6 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, demographic changes and inflationary pressures compounded by a historically low funding base. In February 2021 full Council approved the Medium-Term Financial Strategy (MTFS) 2021/22 to 2023/24. Despite achieving a balanced budget for 2021/22, there remained a budget gap of £29.749m over the final two years of the MTFS.

1.7 A budget gap of £29.749m 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. Covid-19 has had a disproportionate impact on the residents of Harrow. Since August 16th there have been 9,117 diagnosed cases of Covid-19 in Harrow, which represents a rate of 3,613 per 100,000 residents, a rate significantly higher than London of 3,110 per 100,000. Since the start of the pandemic the rate of deaths within 28 days of a positive test in London was 189 per 100,000 residents, in Harrow the rate was 218.

The Covid-19 pandemic has shown a light on existing health disparities within community cohorts which need managing. An example is the significant migration of the Romanian Community into Harrow. From August 2018 to June 2021 nearly 40,000 Romanians applied for settled status in Harrow (EUSS Statistics Home Office June 2021). Whilst many may move out of Harrow a significant number remain, particularly in East Harrow. It is in such community cohorts, that we have found higher degrees of vaccine hesitancy and reluctance to undertake Covid-19 testing which presents not only a health risk to the community, but also a risk to Harrow's Councils recovery plans.

- 1.8 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.
- 1.9 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). In terms of the £1.55b grant allocated in the current financial year to Local Authorities to meet additional Covid-19 expenditure, Harrow received £6.051m, the 7th lowest allocation across London.

SUMMARY

- 1.10 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 2022/23 (after the application of £14.7m from the Budget Planning MTFS Reserve), a budget gap of £16.593m for 2023/24 and a balanced budget position for 2024/25. It's important to note that for 2024/25, a number of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as demand and demographics so far in advance. As the budget is approved annually the latter two years of the MTFS will be subject to much review and adjustment before finally being approved.
- 1.11 The final MTFS is based on the Local Government Indicative Financial Settlement received 16 December. The final settlement is expected to be agreed in early February. Whilst it is intended that members will approve the MTFS in February 2022, 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) 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

- 1.12 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. Settlements since these calculations have done little to address the relative position of Harrow's funding baseline.

SPENDING REVIEW 2021

- 1.13 On 27 October 2021, the Chancellor of the Exchequer delivered Spending Review 21 (SR21) and the Autumn Budget. The latter set out the Governments taxation and public expenditure plans for the year ahead and SR21 confirmed resources and capital budgets for the three years 2022/23 to 2024/25. The key areas of the review pertaining to Local Government are detailed below and included in the final MTFS:

- The main Council Tax referendum level is set at 2% and the Adults Social Care Precept at 1% per annum. The final MTFS assumes a Council Tax increase of 2.99% per annum.
- £3.6b over the three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care. Funding was confirmed for 2022/23 only and Harrow's share is £654k and is assumed to be recurrent for budgeting purposes.
- £1.5b per annum of new grant funding intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on demand (Adult social care, mental health and Children's Services). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Harrow's share is £5.4m for 2022/23, of which £2.735m is non recurrent.
- There is no separate funding for the legacy impacts of Covid-19 and the Covid-19 Income Compensation Scheme for Sales, Fees and Charges will not be continued into 2022/23. The final MTFS assumes no specific Covid-19 financial support.
- The New Homes Bonus grant continued for a further year and Harrow's share is £3.022m and is assumed to be recurrent for budgeting purposes. Announcements on the reform of the scheme are expected later in the year.
- Grant funding for Public Health, the Troubled Families Programme and the Improved Better Care Fund will continue a cash flat basis and the final MTFS reflects this.
- Three announcements on pay covering increases to both the National Living Wage and National Minimum wage and references to public sector workers receiving pay rises over the next three years via the normal pay setting process. The final MTFS includes £7.5m of pay inflation over the three years.
- The Business Rates multiplier will be frozen in 2022/23 which will reduce business rate bills. The Multiplier Grant remained a separate funding stream and Harrow's grant for 2022/23 is £3.259m.
- The Local Tier Services Grant was continued in 2022/23. Harrow's grant was confirmed at £421k and is assumed as on going for budget purposes.
- There was no confirmation of either the scope or timetable for the planned Local Government Finance Reforms, including business rates reset and the review of Relative Needs and Resources. Following SR21, there have been references in various publications to the Fair Funding Review and assessment of need for 2023/24. However, at the time of writing this report, no details and time frames are known.

DELIVERY OF THE 2021/22 BUDGET

- 1.14 In these unprecedented times, delivery of the 2021/22 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services whilst managing the impact of Covid-19 and the future impact of demand and activity on the MTFS.
- 1.15 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 2021/22 budget is detailed in a separate report on this agenda, 'Qtr 3 Revenue and Capital Budget Monitoring 2021/22' report. This report forecasts to year end a net underspend of £776k. This is an improvement of £877k on the Qtr 2 reported forecast and confirms the Council will contain expenditure within its budget envelope for the financial year 2021/22.
- 1.16 The 2021/22 budget is supported by £6.051m of nonspecific grant to meet additional Covid-19 expenditure, £700k Covid-19 income compensation grant and £3.5m of Controlling Outbreak Management Funding (COMF). SR21 made no announcement of continued funding for the impacts of Covid-19 beyond 2021/22 and the MTFS assumes no financial support from 2022/23. All activities funded from the Covid -19 grants are being reviewed to ensure they are ceased by the end of March 2022. Other Covid-19 Grant funding, which is received to support specific expenditure and not the general budget is all accounted for on a non-recurrent basis and is detailed in Appendix 3 of the 'Qtr 3 Revenue and Capital Budget Monitoring 2021/22' report which is elsewhere on this agenda.

BUDGET PROCESS 2022/23

- 1.17 The Council has a statutory obligation to agree and publish the budget for 2022/23, and approval for this is being sought in February 2022. In preparing the 2022/23 budget and rolling forward the MTFS to cover the three-year period 2022/23 to 2024/25, the current MTFS has been the starting point for the process.
- 1.18 The Council's financial position and its operational environment has always been dynamic affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the final budget for 2022/23 the existing MTFS has been:
- Refreshed and rolled on a year
 - Updated to reflect the cessation of Covid -19 financial support
 - Updated to reflect the impact of SR 21 and the Indicative Financial Settlement
- 1.19 The draft budget was presented to Cabinet in December. For completeness, the adjustments required to set the draft budget are repeated in this report and 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 2021/22 Budget process:

Table 2: Changes to MTFS (Prior to Indicative Finance Settlement)			
	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Published Budget Gap - February 2021	24,651	5,098	0
Adjustments:			
Council Tax /National Non Domestic Rates (NNDR)			
Increase in Council Tax @ 2.99% (1.99% core and 1% Adults Social Care Precept	-£4,229	-£4,371	-£4,500
Increase in Council Tax base	-£2,250		
Council Tax increase of 1.99% already in MTFS	£2,780	£0	£0
Collection Fund Deficit 2022/23	£52	-£52	
Reduction in retained NNDR	£205	£0	£0
NNDR Multiplier Grant	-£1,710		£0
Summary of Directorate Changes			
Investment - Special Educational Needs Transport	£750	£750	£750
Investment -Children's Services Placements and Workforce		£1,100	
Investment - Regeneration Team		£1,250	£0
Investment - London Living Wage	£450	£450	£1,000
Reversal of Savings - Transformation	£2,000		£0
Reprofiling - of Social Care growth already in MTFS:			
From Adults Services	-£565		
To Childrens Services	£565		
Reprofiling - Gayton Road LLP MTFS contribution	£62	-£22	-£12
Reprofiling - Community COVID loss of income	-£300	£300	£0
Technical Changes			
Saving - Existing Capital Financing and MRP	-£2,000	£0	£0
Additional Capital Financing from 2021/22 budget process			£224
Pay and Non Pay Inflation			£3,750
Estimated Directorate Growth			£3,788
Concessionary Fares / Freedom Passes	-£1,271	£644	£1,000
Spending Review - Estimated Additional Grants			
Increase - Adults Social Care Grant	-£800	-£5,600	-£8,000
Additional cost - Adult Social Care Reform	£800	£5,600	£8,000
Increase - Core Spending Grant	-£6,000	-£6,000	-£6,000
Additional cost - Employer NI increase @ 1.25%	£800	£0	£0
Additional cost - NNDR Multiplier Grant	£1,710		
Revised Budget Gap	15,700	-853	0
Application of Budget Planning Reserve MTFS	-£15,700	£15,700	
Estimated Budget Gap December 2021	£0	£14,847	0

Council Tax, Collection Fund and National Non-Domestic Rate Adjustments

- 1.20 2021/22 the Council tax base reduced to 87,387 from its 2020/21 base of 87,667 as a result of the weakening economy largely due to the Covid-19 pandemic. The current MTFS assumed no increase in the base beyond 2021/22. For 2022/23 the Council's tax base has been calculated, according to the relevant procedures and guidance, at 88,785 Band D equivalent properties, this being the gross tax base of 90,579 less a 2% bad debt provision. This is an increase of 1,398 Band D equivalent properties which will generate additional income of £2.250m. This estimated increase is based on assumptions new properties will come on stream and the numbers claiming Council Tax Support will reduce as the country moves out of the pandemic. Collection rates have performed better than expected throughout the pandemic and Harrow has provision for outstanding arrears up to the 31/03/21 of almost 100%. The collection rate for 2022/23 will remain at 98%. The calculation of the Council tax base for 2022/23 is subjected to a separate and more detailed report elsewhere on this agenda (Report: Calculation of Council Tax Base for 2022/23).
- 1.21 A maximum Council Tax increase of 2.99% is budgeted for 2022/23 to 2024/25 which is in line with central government expectations included in the SR21 announcements on core spending power for local government. This covers 1.99% for core Council Tax and a 1% for the Adult Social Care Precept. This will generate additional revenue of £4.229m in 2022/23. The current MTFS already assumes a core Council Tax increase of 1.99% (£2.780m) which is adjusted for.
- 1.22 The Collection Fund and its impact on the 2022/23 budget is subject to a separate report elsewhere on this agenda (Report: Estimated Surplus / (Deficit) on the Collection Fund 2021/22). The estimated impact on the 2021/22 Collection Fund is a small deficit of £52k which must be accounted for as a one-off charge against the 2022/23 budget.
- 1.23 Of the National Non-Domestic Rates collected, Harrow retains 30% with 70% being handed over to Central Government and the Greater London Authority. Harrow's 30% retained share is estimated to reduce from £15.346m to £15.141m, hence a reduction of £205k in the 2022/23 draft budget. The main reasons for the changes in yield are:
- Tax Base being eroded by commercial property being converted to domestic accommodation or being demolished and awaiting domestic properties being built
 - More occupiers claiming Small Business Rates Relief (SBRR) and Retail Relief
 - Insufficient new commercial properties being built to offset losses

The NNDR collection rate will remain at 98%. A more detailed report on the calculation of the retained NNDR tax base will be brought to Cabinet in January 2022.

- 1.24 The NNDR tax base used to calculate the 2022/23 rate retention amounts has not this year benefited from the September 2021 CPI which is used to calculate the following financial year's rating multiplier. SR21 announced that the multiplier would be frozen for 2022/23 which means businesses will not see an increase in their bills and the Council will be compensated for this loss of inflationary income through the NNDR Multiplier Grant which is estimated at £1.710m. SR21 was very unclear whether the Multiplier Grant would continue as a separate grant or whether it would be wrapped up as part of the new core spending grant. The draft 2022/23 budget has been prepared on a prudent basis and assumes the Multiplier Grant will no longer be a separate grant.

Summary of Directorate Changes

- 1.25 Spend on Special Educational Needs (SEN) Transport continues to grow and over the last four years spend has on average increased by £500k per year from £4.1m in 2017/18 to projected £5.9m in 2021/22. There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. The type of transport required is dependent upon the education setting the child attends as well as the child's special educational need and disability (SEND) /medical diagnosis and behaviour. The main focus of the Council's SEND strategy is to ensure that as many children are educated in local in-borough SEND provision to prevent high cost out of borough independent placements where the needs could be met in borough but for the fact that capacity is an issue. However, the SEND Strategy is a medium to long term strategy due to the lead-in time it takes to create additional provision. It is projected that £750k growth per annum will be required to meet the costs of SEN Transport over the period of the MTFS. This has been provided for, but SEN Transport is subject to a separate review with a view to, amongst other things, reduce this estimated pressure on the MTFS.
- 1.25a In Children & Young People Services, there has been an increase in the number of Children In Need and children subject to Child Protection Plans as more families' needs are managed within the community as well as increased Early Support engagement putting pressure on the workforce and social worker caseloads. In addition, there are more children requiring placements with more complex and challenging needs and an increase in the average weekly cost of placements putting significant pressure on placements and other client related budgets. In Education Services there has been a significant increase in referrals and assessments and the number of young people with an Education Health & Care Plan. This is putting significant pressure on the workforce and casework officer caseloads. In the current financial year, Children's Services are forecasting a net pressure, after draw down from reserve, of £1.564m. The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £565k growth from Adult Services. Also, there is expected to be a balance on the Children's Social Care Reserve (currently sitting in the Revenue Grants Reserve) of £1.117m at the end of this financial year which

can be used in 2022/23 to support pressures. As this reserve funding is temporary, this has been provided for as permanent growth from 2023/24.

- 1.26 At its meeting on 1 July 2021, Cabinet approved the setting up and commencement of the Harrow Strategic Development Partnership (HSDP) with Wates Construction Ltd. Funding has previously been set aside up to 2022/23 to fund a Regeneration Team to support the HSDP. From 2023/24 the required team budget of £1.25m has been built into the draft MTFS.
- 1.27 Elsewhere on this agenda, there is a separate report which recommends the Council's application to the Living Wage Foundation to become an accredited authority. To support this strategy, which has a seven-year implementation plan, investment of £1.9m is provided for in the draft MTFS. (Report: Application to the Living Wage Foundation to become an accredited authority).
- 1.28 In the 2020/21 budget setting process, a Council Wide transformation target of £1m in both 201/22 and 2022/23 was set. Due to the impact of Covid-19 on the organisation's capacity, this £2m target has had to be removed from the draft MTFS at this time.
- 1.29 In the current MTFS Adults Social care growth of £3.691m is already provided for to fund complexity and demand care growth and care provider inflation. This growth has been reviewed and it is estimated that it can be reduced by £565k and moved over to Children's Services to support their increasing pressures already covered in this report. The Adult Social Care Reserve is forecast to have no planned draw downs in the current financial year and will remain at £1.969m to support the service.
- 1.30 The current MTFS assumes an annual contribution from Concilium Assets LLP (which manages the private rented sector properties at Gayton Road) of £642k by 2022/23. This annual contribution has been reprofiled slightly to be re-profiled in full by 2025/26.
- 1.31 A significant impact of Covid-19 in the current financial year is the loss of income in the Community directorate. Growth of £5m had to be provided for in the current year's budget with 80% of this income loss estimated to be recovered over the next two years. Income budgets within the directorate have been robustly managed throughout the year and, whilst the quantum of income recovery remains at 80%, its recovery is estimated to be quicker than originally planned to the betterment of £300k in 2022/23.

Technical Changes

- 1.32 Over recent years the Council has pursued a strategy of internal borrowing rather than taking on external debt to fund its Capital Programme. This, along with the application of capital receipts and the continued slippage on the programme has led to in year savings against the capital financing budget. In year these savings are being used to minimise the planned draw down from reserves and from 2022/23 a permanent budget reduction of £2m is estimated. This will be refined in preparation for the final budget.

- 1.33 As part of the prior year's process for re setting the existing three-year Capital Programme up to 2023/24, there was a cost implication of £224k which fell in 2024/25 and this is now reflected in the draft MTFS. The updated Capital Programme is subject to a separate report on this agenda. The additional capital financing cost associated with the new proposed Capital bids across all 3 years (which total a net increase in the Programme of £16.325m) is £2m in total in 2025/26. As this year is outside of the current period of the MTFS, this increase needs to be factored into the budget for 2025/26 as part of next year's 2023/24 budget process.
- 1.34 The current MTFS assumes £4.750m in both 2022/23 and 2023/24 for pay and non-pay inflation. For 2022/23 this is notionally split £2m for pay inflation at 2% and £2.75m non pay inflation. The pay award for the current financial year is not agreed at the time of writing this report and, with high inflation rates, there is concern that the current provision for 2% for pay in 2022/23 may not be sufficient and there will be a call on the non-pay provision. The remainder of the non-pay inflation budget is provisionally allocated to energy inflationary pressures and as further support to the front-line budgets. In 2023/24 the £4.750m is provisionally split £2.75m for pay and £2m for front line pressures which are not accounted for separately in the MTFS.
- 1.35 In 2024/25 provisions has been made for £3.750m pay and non-pay inflation and £3.788m for directorate growth. It is accepted that these are high level estimates for the third year of the MTFS, which could be achieved within a forecast balanced budget position and which will be refined as part of the MTFS refresh process and as future directorate plans are worked through. If these provisions do prove to be high, they can be reversed out of the budget.
- 1.36 The Concessionary Fares / Freedom Pass Scheme provides free travel for older and disabled London residents on all Transport for London (TFL) travel modes and on most National Rail routes (with restrictions). The methodology used for settlement of the scheme 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 2-year cost estimates for each London Borough. Harrow's concessionary fares base budget is £8.590m. Further savings of £1.253m are estimated for 2022/23 over and above those already assumed. However, for 2023/24, journeys are estimated to increase and growth of £644k will be required in addition to that already planned to take the base budget to £7.778m.

Spending Review – Estimated Additional Grants

- 1.37 As previously explained, SR21 announced £3.6b over the three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care. The allocation of this funding will not be announced until the Indicative Financial Settlement in December. For budgeting purposes, the profiling of the funding has been based on information received from London Councils. The Council 's share is based on proportionality, i.e. Harrow's proportionate share of Adults Social care nationally (0.004). As this funding is ring fenced to funding the costs of the reforms, it will have a neutral impact on the MTFS as funding received is matched by new expenditure.

- 1.38 Again, as previously explained, SR21 announced £1.5b per annum of new core grant funding intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on demand (Adult social care, mental health and Children's Services). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Again, the allocation of this funding will not be announced until the Indicative Financial Settlement in December and proportionality of 0.004 has been applied resulting in an estimated annual grant sum into the Council of £6m.
- 1.39 Prior to SR21, an increase in employer NI by 1.25% was announced and the estimated impact for the Council is £800k.

Application of Budget Planning Reserve MTFS

- 1.40 After all known adjustments, some based on estimates which will be subject to change, the draft budget for 2022/23 still shows a budget gap of £15.7m. Whilst all efforts have been made to include all quantifiable SR21 announcements within the MTFS it is recognised that there is still a level of clarity to be sought from the indicative settlement in late December, which will impact on the budget gap making it better or worse. The Council could embark on a drastic programme of cuts to immediately address the draft budget gap or it could call upon reserves, set aside for budget planning purposes, to provide a temporary solution. However, once the indicative settlement had been announced and the implications worked through for the Council, this will finally clarify the Council's financial position for the next three years. Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must now urgently focus on a strategy to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan addressing the budget gap. This plan will be reported through the Cabinet process identifying in years and / or savings to be built into the next refresh of the MTFS.
- 1.41 The Council has a Budget Planning Reserve MTFS of £15.836m. This report recommends applying £15.7m of this reserve to clear the 2022/23 estimated budget gap. The action of applying one off reserves to the budget gap is only temporary in nature and must be reversed out in the following year, the impact being the draft MTFS shows a budget gap of £14.847m in 2023/24.
- 1.42 All efforts have been made to set a realistic budget for 2022/23 making provisions for all known growth / investment requirements and prudent assumption on grants not quantified. For these reasons, it is hoped that the settlement does not have an adverse impact on the budget gap. The first call on any financial benefit gained from the settlement not already planned for must be applied to reducing the £15.7m of one-off reserves to balance the 2022/23 budget gap. This action will immediately reduce the estimated budget gap of £14.847m in 2023/24 as a lower level of one-off reserves will be reversed out.

Adjustments required following the Indicative Local Government Settlement announcement.

- 1.43 The indicative settlement was announced on 16 December 2021. The final settlement is expected to be published in early February 2022. The indicative settlement was broadly in line with SR21 announcements which were used as the basis for the draft budget and MTFS. Although SR21 made broad funding announcements for the next three years the settlement included specific funding allocations for 2022/23 only. The final MTFS retains the additional funding assumptions for 2023/24 and 2024/25 that were included in the draft MTFS. There is an element of risk to this, but the assumptions remain in line with SR21 announcements. The adjustments to the draft MTFS are summarised in table 2a below and supported by explanatory text which follows the table:

Table 2a: Changes to MTFS (Post Indicative Finance Settlement on 16 December)			
	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Published Budget Gap - February 2021	0	14,847	0
Adjustments:			
Changes as a result of December Finance Settlement			
Increase - Adults Social Care Grant for 2022/23	£800	£0	£0
Additional cost in 2022/23 - Adult Social Care Reform	-£800	£0	£0
Reverse 2022/23 Grant assumption in increase in Core Spending Grant and replace with actual allocations but assume estimated increases in future years of £6m each year will be maintained.	£6,000		
Lower Tier Grant Announced	-£421		
2022/23 services grant - indicted as one year grant only	-£2,735	£2,735	
Multiplier Cap Funding (Budget assumed £1.590m, allocation is £3.259m)	-£1,669	£0	
New Homes Bonus (Budget assumed £3.176m, allocation is £3.022m)	£154		
Adults Social Care Grant (Budget assumed £5.465m, allocation is £7.720m)	-£2,255		
Adults Social Care Reform - Market Sustainability and Fair Cost of Care Fund	-£654		
Assumed all this will be spent by Adults in 2022/23	£654		
Better Care Fund (Budget assumed £6.467m and allocation was £6.663m). Pooled budget - no MTFS benefit			
RSG inflationary increase from £1.585m to £1.648m	-£63		
Other Changes			
Change to Retained Business Rates for 2022/23 (Reduced from £15.141m to £12.881m)	£2,260	-£2,260	
Compensating increase in Section 31 grants	-£2,260	£2,260	
Revised Budget Gap	-989	17,582	0
Reduction in Application of Budget Planning Reserve MTFS**	£989	-£989	
Estimated Budget Gap December 2021	£0	£16,593	0

Adults Social Care Grant for 2022/23

- 1.44 SR21 announced £3.6b over the three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care. Based on Harrow's proportionate share of Adults Social Care nationally, the draft budget assumed Harrow's share at £800k, £5.6m and £8m for 2022/23, 2023/24 and 2024/25 respectively. The settlement provided funding of £162m for 2022/23, which results in an allocation of £654k for Harrow and is reflected in the final budget as the Adult Social Care Reform - Market Sustainability and Free Cost of Care Grant. Funding of £600m has been announced for 2023/24 and 2024/25, however the funding mechanism, and therefore allocation for Harrow, is not yet known and the place holder sums included in the draft budget have been retained in the final MTFS. As this funding is ring fenced to reform, it will have a neutral impact on the MTFS as funding received will be matched by new expenditure.

Core Spending Grant

- 1.45 SR21 announced £1.5b per annum of new core grant funding intended to cover various inflationary and demographic pressures. Based on Harrow's proportionate share of Adults Social Care nationally, the draft MTFS assumed £6m per annum. In the settlement, this manifested itself in two separate funding streams:
- Adult Social Care Grant - additional funding of £2.255m which is assumed on going for budgeting purposes
 - 2022/23 Services Grant – new funding of £2.735m. As this new grant specifically states it is for 2022/23 only, is it assumed to be non-recurrent for budgeting purposes.

As SR21 did announce additional core spending grant over three years, the assumption that additional funding will be received in 2023/24 and 2024/25 is retained in the MTFS at £6m per annum.

Lower Tier Grant

At draft budget this grant was assumed to discontinue. The settlement announced continuation of the grant at £421k and this has been reflected in the final budget and assumed recurrent for budgeting purposes.

Multiplier Cap Funding

- 1.46 The draft budget assumed a cost neutral position for the 2022/23 estimated additional NNDR Multiplier Grant of £1.710m due to the lack of clarity as to whether it would be separate or subsumed into another grant. The settlement confirmed the funding as a separate income stream of £1.669m which is now included in the final budget.

New Homes Bonus

- 1.47 The draft budget assumed the New Homes Bonus grant at £3.176m. The settlement allocated a grant of £3.022m and £154k has been removed from the final budget.

Change to Retained Business Rates 2022/23

- 1.48 Whilst originally Government had not announced a retail relief scheme for 2021/22 before the business rates bills were issued, the original 30% retention amount for Harrow for that year was in excess of £15m. However,

for 2022/23 Government did announced a 50% retail relief scheme in good time and as such retention amounts are lower by £7.5m gross. This reduced Harrow's retention amount to just over £12m for 2022/23 or a £2.26m reduction. This is however compensated for via an increase in s31 grant by the same amount. Cabinet should therefore read both the retention amount and the s31 grant amounts together which in effect means the changes have a neutral impact on income.

Reduction in Application of Budget Planning Reserve MTFS

- 1.49 Overall the settlement delivered a net benefit of £989k for the 2022/23 budget. The draft budget assumed a draw down of £15.7m from the Budget Planning Reserve (one off). The overall settlement benefit of £989k reduces the reliance on reserves required to balance the 2022/23 budget to £14.7m.

Council Tax Base

- 1.50 The draft MTFS included a significant increase of 1,398 Band D equivalent properties generating income of £2.250m for 2022/23 and this assumption remains in the final budget. Even though it is very likely there will be annual growth in the council tax base, there needs to be further work done on the additional calls on service delivery, for example waste services, before additional net income can be committed to the MTFS

Budget Refresh, Growth & Savings

- 1.51 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 the savings in the current MTFS for 2022/23 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget. Table 3 below summarises the growth/reversed savings and savings from the 2021/22 and 2022/23 process and table 4 summarises the position from the prior year's budget setting process. The summary information in the tables is support by the details in appendices 1A and 1B:

Table 3 – Summary from Appendix 1A – Savings and Growth from 2021/22 and 2022/23 Budget Process

	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000
Reversal of prior year savings/ growth and new savings				
Resources	(177)	-	-	(177)
Children		-	-	-
Community	(300)	(600)	-	(900)
Corporate	3,475	600	-	4,075
Total	2,998	-	-	2,998
Growth and reversal of prior year savings				
Resources	-	-	-	-
Adults	3,126	-	-	3,126
Children	2,520	1,850	750	5,120
Community	(2,218)	51	-	(2,167)
Corporate	-	-	-	-
Total	3,428	1,901	750	6,079
Net Impact of Reversals/Growth and Savings	6,426	1,901	750	9,077

Table 4: Savings and Growth 2022/23 from the 2020/21 Budget Process

	2022-23	Total
	£000	£000
<u>Savings Summary</u>		
Resources	-	-
Children	-	-
Community	-	-
Corporate	(2,222)	(2,222)
Total Savings	(2,222)	(2,222)
<u>Growth Summary</u>		
Resources	678	678
Adults	-	-
Children	-	-
Community	-	-
Corporate	-	-
Total Growth	678	678
Total Savings and Growth	(1,544)	(1,544)

INVESTMENT

- 1.52 In 2020/21, a sum of £3m was set aside in the Business Risk Reserve to fund member investment in front line priorities at an estimated £1m per annum.
- 1.53 A final £1m of investment is being made into the following priority areas (will cover two financial years, 2021/22 and 2022/23):
- Domestic Violence (£60k)

- Improved Safety for women and girls (£100k)
- Improved support for young carers (£50k)
- Climate change (£100k)
- Street Cleansing (£250k)
- Enforcement (£300k)
- Customer care (£150k)

CAPITAL RECEIPTS FLEXIBILITY

- 1.54 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The current flexibility is in place until 2021/22. The Department for Levelling Up, Housing and Communities have been contacted and the scheme will continue with announcements in due course. Until such announcements are made, the principles of the existing flexibilities will be assumed.
- 1.55 The final MTFS does not assume any capital flexibilities being applied to core budget over the three years.

SCHOOLS FUNDING FOR 2022/23

- 1.56 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.
- 1.57.1 The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018/19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.
- 1.58 The NFF will therefore continue to be used to distributed school budgets for 2022/23 There are no proposed changes to the structure of the formula for 2022/23. The Schools Budget for 2022/23 is attached at Appendix 6 for approval.

PUBLIC HEALTH FUNDING 2022/23

- 1.59 In 2021/22 the total public health grant to local authorities totalled £3.324bn, with £11.310m 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.
- 1.60 The Public Health commissioning intentions detailed in Appendix 7 are based on the current (2021/22) grant allocation as Public Health England have yet to announce national funding for 2022/23, however SR21 confirmed that the grant would be maintained in real terms. The draft expenditure assumes a

drawdown of £114k from the specific Public Health reserve, resulting in total anticipated expenditure of £11.424m. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan and evidence of population priorities.

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

BETTER CARE FUND (BCF) 2022/23

- 1.62 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.
- 1.63 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.
- 1.64 The 2022/23 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2021/22 level of £6.759m, although this should be expected to increase considering the NHS funding commitments made within the spending review. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2022 (usually March), however the requirements around integration and collaborative working are expected to continue.
- 1.65 The 2022/23 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

RESERVES AND CONTINGENCIES

- 1.66 Reserves and contingencies need to be considered in the context of their role to protect the Council's financial standing and in the context of the overall risks that the Council faces during a continuing period of economic and funding 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 any unforeseen events. The Councils overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At quarter 3 (end of December 2021), total reserves estimated for carry forward into 2022/23 are £59.055m. After accounting for earmarked reserves and the £14.711mm

recommended to balance the 2022/23 budget, this does leave the Councils remaining reserves at a much-reduced level:

- Contingency for Unforeseen items £1.248m (on going revenue reserve)
- General Fund – £10m
- London Living Wage - £250k (provision recommended for base budget)
- Business Risk Reserve - £3.350m
- MTFS Implementation Reserve – £349k
- Balance Budget Planning MTFS - £2.425m

- 1.67 The report of the Director of Finance and Assurance, which includes the adequacy of Council reserves and contingencies is detailed in Appendix 10.

LEVIES, CONTINGENCIES AND SUBSCRIPTIONS

- 1.68 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2022/23. These sums are set by other bodies and are outside the Council's control. Except for the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

BUDGET PROCESS 2023/24 and 2024/25

- 1.69 At the point of setting the draft budget, it was recognised that there was still a level of clarity to be sought from the indicative settlement. The draft budget showed a budget gap of £15.7m for 2022/23. The Council could have embarked upon a drastic programme of cuts to immediately address the draft budget gap or it could call upon reserves, set aside for budget planning purposes, to provide a temporary solution. At draft budget stage it was recommended to apply £15.7m from the reserve set aside for Budget Planning MTFS. The temporary nature of reserves means that they must be reversed out the following year which left 2023/24 with a draft budget gap of £14.847m. The draft budget for 2024/25 showed a notional balanced budget position. Therefore, at draft budget stage, the budget gap over the draft three-year MTFS was £14.847m.
- 1.70 The indicative settlement provided additional funding of £989k for 2022/23 which reduces the draw down from the reserves to £14.7m. The impact of the 2022/23 Services Grant being announced for 1 year only means the funding must be treated as non-recurrent only. Therefore, after settlement the final budget gap over the final three-year MTFS is £16.593m.
- 1.71 Despite the settlement confirming levels of funding for 2022/23 only, this cannot be used as a deterrent from the Council developing a robust strategy to address its MTFS shortfall of £16.593m. It is important to remember that the MTFS shortfall already includes an increase in Council Tax of 2.99% per annum and assumes additional core grant funding of £12m therefore changes in future settlements are unlikely to have a materially beneficial impact on the final MTFS shortfall.
- 1.72 Recognising that the Council has already had to make significant savings over many years because of reductions in central government funding and

increasing demand pressures, the strategy will have to be a hybrid of actions to achieve financial sustainability:

- Maintaining the tight grip on the 2022/23 budget to ensure no cost overruns and look at all safe options to deliver an in-year underspend
- Options to 'smooth' the budget gap over the current MTFS period to provide for robust planning of the actions required to reduce expenditure to within the budget envelope sustainable
- Options to generate income to provide implementation funding and / conversion to permanent revenue budget savings
- Shorter term actions capable of being implemented by or before 01/04/23
- Medium term actions, including changes to service delivery, to sustainably reduce expenditure over the next 18 to 24 mths.
- The backdrop to the strategy will be continued lobbying to ensure Harrow receives the funding required to support its residents.

- 1.73 The draft strategy must be completed by May 2022 to present to the incoming administration and will be reported through the Cabinet process as appropriate.

COUNCIL TAX MODEL RESOLUTION

- 1.74 The Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1,646.50 for Harrow Council. The proposed GLA precept of £395.59 takes the overall proposed Band D council tax to £2,042.09. The GLA precept is still subject to confirmation and is expected to be confirmed on 24 February 2022.
- 1.75 The proposed GLA precept is an increase of 8.78% taking the aggregate Council Tax increase to 4.06%.

MEMBER ALLOWANCES

- 1.76 The proposed Members Allowances scheme for 2022/23 is attached at Appendix 12. This has been prepared having regard to the report of the Independent Panel titled 'The Remuneration of Councils in London 2022.' The report recommends that all member allowances should be updated annually in accordance with the headline figure in the annual local pay settlement and the Panel will undertake a further review of remuneration of Councillors during 2022/23. It is proposed that the basic allowance and the different bands of the Special Responsibility Allowance and Mayoral Allowances be updated in line with the Local Government Pay Settlement for 2022/23. At the time of writing this report, the pay settlement for 2021/22 and 2022/23 remains outstanding therefore the uplift is included at 1.75%.

ANNUAL PAY POLICY STATEMENT

- 1.77 Under the Localism Act all public authorities must publish annual pay policy statements. The statement must set out the Authorities policies for the financial years relating to:
- Remuneration of Chief Officers
 - Remuneration of its lowest paid employees
 - The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers.

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

LONDON BOROUGH GRANTS SCHEME

- 1.78 Harrow's contribution to the London Borough Grants Scheme was £187k in 2021/22 and will be £186,907 in 2022/23.

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 e newsletter which is sent to 70,000 MyHarrow email accounts. There were 59 respondents to the general survey. A summary of the response data is included in Appendix 16. Over the three main questions, responses disagreed with the draft budget and proposed increases in core Council Tax and the Adult Social Care Precept:

Question 1 - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (11 agree, 48 disagree).

Question 2 - Given the Council's funding situation, do you agree

with the Council's proposal to increase Council Tax by 1.99%? (10 agree, 49 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 1% adult social care precept? (11 agree, 48 disagree)

2.4 The comments received from those who responded were around three key themes:

- Concerns around the cost of living and the impact of an increased Council Tax bill on household budgets
- Concerns around services and initiatives not being run as efficiently as possible
- Concerns re the level of management pay and the use of non-permanent staff

As explained in this report, the overall challenging financial position leaves the Council with limited options in terms of Council Tax and its proposed increase is following central government expectations. However the Council is very mindful of the impact on household budgets of inflationary pressures and is protecting those on the lowest income from the increase in Council Tax through its Council Tax Support Scheme.

As this report explains, the Council must now develop its strategy to achieve financial sustainability over the MTFS and the respondents detailed comments will be fed into this process.

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	12/01/22
Health Partners	Health & Care Executive Meeting	04/02/21 (1)
Local Businesses	Harrow Business Consultative Panel	20/01/22
Overview and Scrutiny	Special meeting of the O & S Committee to review the budget	11/01/22
Unions / Employees	Employees Consultative Forum	12/01/22

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

2.7 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 2022/23 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 – Inability to deliver the Council's MTFS is included in the Corporate Risk Register

Separate risk register in place? No

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

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

Risk Description	Mitigations	RAG Status
Inability to deliver the Council's approved MTFS - over the next 3 years leading to an inability to set a balanced budget and provide core services	<ul style="list-style-type: none"> • Agreed strategy to maintain a tight grip on the 2022/23 revenue and capital budget to deliver an underspend. • Revenue & Capital monitoring reported to CSB, Cabinet and all Members regularly • Strategic financial planning with CSB and Cabinet • Robust finance strategy to achieve sustainability over the MTFS. To be completed by May 2022. • Revenue budget contingency remains in place for unforeseen items • 	Red At Quarter 3 2021/22 this risk is rated at B2 on the Corporate Risk Register – high likelihood and critical impact.
The estimated budget gap of £16.593m identified for 2023/24 is larger than predicted and the estimated balanced budget for 2024/25 is unachievable.	<ul style="list-style-type: none"> • Final budget based on the Local Government Indicative Financial Settlement (December 2021) • MTFS assumptions for 2023/24 and 2024/25 based on SR21 announcements • Directorate pressures have been included where known and provisions for pay and non-pay inflation are included 	Red

	<ul style="list-style-type: none"> • Agreed strategy to maintain a tight grip on the 2022/23 budget to deliver an underspend and ensure no unbudgeted cost pressures transfer into 2023/24 • The Council retains its general fund reserve balance of £10m 	
The application of one off reserves to balance the 2022/23 budget pushes the budget gap into 2023/24	<ul style="list-style-type: none"> • Robust finance strategy to achieve sustainability over the MTFS. To be completed by May 2022. • The Council still has its general fund reserve balance of £10m • £6.4m of other reserves remain on the balance sheet to help support the MTFS • 	Red
Balanced budget for 2021/22 not achieved adversely impacting on the 2022/23 budget	<ul style="list-style-type: none"> • The 'Qtr 3 Revenue and Capital Budget Monitoring 2021/22' report forecasts a net underspend of £776k. • There is a contingency for unforeseen items (£1.248m) which has not been called upon • Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years. • 	Green

5.0 LEGAL IMPLICATIONS

5.1 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.

5.2 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act

in good faith in relation to compliance with statutory duties and exercising statutory powers.

- 5.3 Cabinet is approving these proposals having considered the r consultation responses and the cumulative equalities impact assessment. 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 to the need to:

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

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

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

- (a) *Tackle prejudice, and*

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

The relevant protected characteristics are:

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

- 8.2 Directorate proposals will be subject to an initial equalities impact assessment followed by a full assessment where appropriate. . A cumulative equality impact assessment has been done this is attached at Appendix 15.

9.0 COUNCIL PRIORITIES

- 9.1 The Council's draft budget for 2022/23 has been prepared in line with the Council's priorities:

- Building a Better Harrow
- Supporting Those Most in Need
- Protecting Vital Public Services
- Delivering a Strong Local Economy for All
- Modernising Harrow Council

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed on behalf of the Chief Financial Officer

Date: 2 February 2022

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 2 February 2022

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 2 February 2022

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 2 February 2022

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit and Corporate Anti-Fraud

Date: 2 February 2022

Mandatory Checks

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

EqlA carried out: Cumulative equalities impact on the budget

EqlA 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:

- Recommendation from Employees' Consultative Forum
- Recommendation from Harrow Business Consultative
- Reference from Overview and Scrutiny Committee (to follow)

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

Growth/Reversed savings and savings- 2021/22 and 2022/23 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	2022-23	2023-24	2024-25	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				
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	(177)			(177)		N	N	N
			Resources total	7,550	-	-	7,550	(177)	-	-	(177)				
People Directorate															
								-							
			Total Adults					-	-	-	-				
											-				
Community Directorate															
2		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 finacing 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	N
			Community Total		-	-	966	(300)	(600)	-	(900)	-			
Corporate															
3	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	N
4	Corporate	Corporate	Removal of Investment Property Capital Budget and savings associated.		-	(7,050)	(7,050)	3,525	-	-	3,525		N	Y	N

Growth/Reversed savings and savings- 2021/22 and 2022/23 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	2022-23	2023-24	2024-25	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
5	Corporate	Corporate	Reversal of Transformation Savings - In the 2020/21 budget setting process, a Council Wide transformation target of £1m in both 201/22 and 2022/23 was set. Due to the impact of Covid-19 on the organisation's capacity, this £2m target has had to be removed from the draft MTFS at this time.		-		-	2,000	-	-	2,000		N	N	N
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)		N	Y	
			Corporate Total					3,475	600	-	4,075	-			
			Total					2,998	-	-	2,998				
Growth and reversal of prior year savings															
People Directorate															
			Adults												
7		Placements	Demand Pressures - additional pressures identified and reported to Cabinet in February 2020.	35,686	7,317	0	43,003	3,691	-	-	3,691		N	N	N
8		Placements	Reduction of growth - In the current MTFS Adults Social care growth of £3.691m is already provided for to fund complexity and demand care growth and care provider inflation. This growth has been reviewed and it is estimated that it can be reduced by £565k and moved over to Children's Services to support their increasing pressures. The Adult Social Care Reserve is forecast to have no planned draw downs in the current financial year and will remain at £1.969m to support the service.	35,686	7,317	0	43,003	(565)	-	-	(565)		N	N	N
			Total Adults					3,126	-	-	3,126				
			Children's Services												
9	PCS21.22_G01	CYPS	Children's Placements & Accommodation	25,482			25,482	1,205			1,205		N	N	No

Growth/Reversed savings and savings- 2021/22 and 2022/23 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	2022-23	2023-24	2024-25	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
10		CYPS	Children's Placements - In Children & Young People Services, there has been an increase in the number of Children In Need and children subject to Child Protection Plans as more families' needs are managed within the community as well as increased Early Support engagement putting pressure on the workforce and social worker caseloads. In addition, there are more children requiring placements with more complex and challenging needs and an increase in the average weekly cost of placements putting significant pressure on placements and other client related budgets.The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £265k growth from Adult Services to cover the 2022/23 budget. A further £1.1m for 2023/24 is required to provide permanent funding which replaces the use of the reserve in 2022/23.	25,482			25,482	265	1,100		1,365		N	N	N
11		Education	In Education Services there has been a significant increase in referrals and assessments and the number of young people with an Education Health & Care Plan. This is putting significant pressure on the workforce and casework officer caseloads. This £300k growth has been funded from a reduction in adult services growth of £565k (The remaining £265k has been allocated to placement pressures).	2,523			2,523	300			300		N	N	N
12		Education	Special Educational Needs Transport - . There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. It is estimated a further £750k pa will be required for each of the 3 years of the MTFS.	5,857			5,857	750	750	750	2,250		N	N	No
			Total Children's Services		-	-	-	2,520	1,850	750	5,120				
			People Total		-	-	-	5,646	1,850	750	8,246				
Community															
13	COM21.22_G01	Directorate wide	Impact of Covid-19: Loss of income across Community directorate	(46,399)	-	-	(46,399)	(2,218)	(1,799)	-	(4,017)		N	N	No
14		Directorate wide	Reprofiling of the 'Impact of Covid-19: Loss of income across Community directorate	(46,399)			(46,399)	(300)	300	-	-		N	N	No

Growth/Reversed savings and savings- 2021/22 and 2022/23 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	2022-23	2023-24	2024-25	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
15		Regeneration	Regeneration Revenue Budget - At its meeting on 1 July 2021, Cabinet approved the setting up and commencement of the Harrow Strategic Development Partnership (HSDP) with Wates Construction Ltd. Funding has previously been set aside up to 2022/23 to fund a Regeneration Team to support the HSDP. From 2023/24 the required team budget of £1.25m has been built into the draft MTFS.	-			-		1,250		1,250		N	N	N
16	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	300	300	-	600		N	N	No
			Community Total		-	-	-	(2,218)	51	-	(2,167)				
			Total		-	-	-	3,428	1,901	750	6,079				
			Net Impact of Reversals/Growth and Savings					6,426	1,901	750	9,077				

Total Savings and Growth 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	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholder s to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000			
Savings											
Corporate											
27	COR 02	Gayton Road - income from 53 PRS units					(47)	(47)	N	N	N
29	COR 04	Income from £100m Investment Property Purchase					(3,525)	(3,525)	N	N	N
30	COR 05	Capital Financing Cost of the £100m Investment Property					2,350	2,350	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)	N	N	N
		Corporate Total					(2,222)	(2,222)			
		Total Savings					(2,222)	(2,222)			
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.					678	678	N	N	N
	RES G2	A proportion of this growth is being reversed out in Appendix 1A									
		Resources Total	-	-	-	-	678	678			
		Total Growth	0	0	0	0	678	678			
		Net Savings/Growth					(1,544)	(1,544)			

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**MEDIUM TERM FINANCIAL
STRATEGY 2022/23 to 2024/25**

Appendix 2

	2022/23	2023/24	2024/25
	£000	£000	£000
Budget Requirement Brought Forward	179,440	183,285	189,967
Corporate & Technical	-1,037	21,375	3,751
People	5,646	1,850	750
Community	-2,518	-549	0
Resources	501	0	0
Corporate	1,253	600	0
Total	3,845	23,276	4,501
FUNDING GAP	0	-16,593	0
Total Change in Budget Requirement	3,845	6,683	4,501
Revised Budget Requirement	183,285	189,967	194,469
Collection Fund Deficit/-surplus	52	0	0
Revenue Support Grant	-1648	-1648	-1648
Top Up	-22,623	-22,623	-22,623
Retained Non Domestic Rates	-12,881	-15,141	-15,141
Amount to be raised from Council Tax	146,185	150,555	155,057
Council Tax at Band D	£1,646.50	£1,695.73	£1,746.43
Increase in Council Tax (%)	2.99%	2.99%	2.99%
Tax Base	88,785	88,785	88,785
	98.00%	98.00%	98.00%
Gross Tax Base	90,597	90,597	90,597

MTFS 2022/23 to 2024/25 – Proposed investments / savings

Appendix 2

Technical Adjustments	2022/23	2023/24	2024/25
	£000	£000	£000
Capital and Investment			
Capital Financing costs from Additional Capital Programme	1250		
Implications of Capital Programme agreed for 2020/21 to 2023/24	2981	470	
Saving on Capital Financing costs - 2022/23 process	-2000		
Implications of Capital Programme agreed for 2021/22 to 2023/24 budget process			225
Total Capital and Investment Changes	2,231	470	225
Grant Changes			
Additional NHB over estimated sum (£3.185m v £3.176m estimated)	9		
Additional Social Care grant announced in SR estimated figure	-654	0	0
Additional Cost of Adult Social Care Reform	654	0	0
Increase - Core Spending Grant	0	-6000	-6000
Multiplier Adjustment from core spending increase	1710		
£1.55b grant to meet additional COVID expenditure (one off) therefore reversed for 2022/23	6051		
Income compensation for sales, fees and charges - 3 mth extension -reversing one off benefit in 2021/22	500		
Council Tax Support Grant one off reversed in 2022/23	1780		
Extra Multiplier grant reversal in 2022/23 putting base back to £1.590m	477		
Retain Multiplier grant at 2021/22 level	-1710		
Increased Multiplier grant at 2022/23 settlement (assumed £1.590m but £3.259m allocated)	-1669		
2022/23 service grant - indicated as one year only	-2735	2735	
Lower Tier grant reversed as part of 2021/22 budget	399		
Lower Tier grant announced as part of 2022/23 settlement	-421		
New Homes Bonus grant reduced from £3.176m to £3.022m	154		
Increase in Section 31 grant to offset reduction in Retained Business Rates income	-2260	2260	
Adult Social Care Grant increased from £5.465m to £7.720m	-2255		
Total Grant Changes	30	-1,005	-6,000
Other Technical Changes			
Freedom Passes - estimated reduction in usage	-1580	1377	
Freedom Passes - revision to usage figures from London Council update	-1271	644	1000
Use of Reserves			
Use of Business Risk Reserve for one off investment of £1m pa for 3 years	-1000		
One off Investment into front line priorities	1000		
Use of Business Risk Reserve smoothed over 2 years	3350		
Children's social care reserve - no applied in 20/21	852		
One of use of Reserves	-15700	15700	
Reduction in Budget Planning reserve as a result of settlement changes	989	-989	
£2m 20/21 target underspend - to be added to reserves in 2021/22	2000		
Total Other Technical Changes	-11,360	16,732	1,000
Pay and Inflation			
Pay Award @ 2% pa	2000		
Pay Award @ 2.75% pa		2750	2750
Cost of National Insurance Increase	800		
Non Pay Inflation	2750	2000	1000
Total Pay and Price Inflation	5,550	4,750	3,750
OTHER			
Gayton Road Income - Reprofiting of income	62	-22	-12
Capital Receipts Flexibility - £2m applied in 2021/22	2000		
Growth London Living Wage	450	450	1000
Directorate growth			3788
Total Corporate & Technical	-1,037	21,375	3,751

MTFS 2022/23 to 2024/25 – Proposed investments / savings Appendix 2

People			
	2022/23	2023/24	2024/25
	£000	£000	£000
Children & Families			
Proposed Savings - Appendix 1B	0	0	0
Proposed Growth - see appendix 1a	2,520	1,850	750
Sub total Children & Families	2,520	0	0
Adults			
Proposed Growth - see appendix 1a	3126	0	0
Proposed Growth - see appendix 1b	0	0	0
Sub total Adults	3,126	0	0
Total People Directorate	5,646	1,850	750

MTFS 2022/23 to 2024/25 – Proposed investments / savings Appendix 2

Community			
	2022/23	2023/24	2024/25
	£000	£000	£000
Proposed Savings - see appendix 1a	-300	-600	0
Proposed Growth - see appendix 1a	-2,218	51	0
Proposed Savings - see appendix 1b	0	0	0
Proposed Growth - see appendix 1b	0	0	
Total Community	-2,518	-549	0

MTFS 2022/23 to 2024/25 – Proposed investments / savings Appendix 2

Resources	2022/23	2023/24	2024/25
	£000	£000	£000
Proposed Savings - see appendix 1b	0	0	0
Proposed Growth - see appendix 1b	678	0	0
Proposed Savings - see appendix 1a	-177	0	0
Proposed Growth - see appendix 1a	0	0	0
Total Resources	501	0	0

MTFS 2022/23 to 2024/25 – Proposed investments / savings

Appendix 2

	2022/23	2023/24	2024/25
	£000	£000	£000
CORPORATE			
Proposed Savings - appendix 1a	3475	600	0
Proposed Growth - appendix 1a	0	0	0
Proposed Savings - see appendix 1b	-2,222	0	0
Proposed Growth - see appendix 1b	0	0	
Total Corporate	1,253	600	0

REVENUE BUDGET SUMMARY 2022-23							Appendix 3
	2021/22 Net Budget		Gross Controllable Expenditure	Gross Income	Net Controllable Expenditure	Uncontrol - able Expenditure	2022/23 Net Budget
	£'000		£'000	£'000	£'000	£'000	£'000
Local Demand - Borough Services							
Resources & Commercial	17,061		215,344	- 181,632	33,712	- 19,555	14,157
Environment & Commissioning	46,823		59,424	- 35,633	23,791	20,357	44,148
Housing General Fund	7,951		11,424	- 7,379	4,045	3,600	7,645
Regeneration	2,210		4,919	- 3,859	1,060	1,172	2,232
Sub-total Community	56,984		75,767	- 46,871	28,896	25,129	54,025
Adult Services	77,282		106,605	- 37,991	68,614	5,694	74,308
Public Health	- 44		9,336	- 11,150	- 1,814	1,770	- 44
Children & Families	44,408		175,676	- 137,725	37,951	8,991	46,941
Sub-total People	121,646		291,617	- 186,866	104,751	16,455	121,205
Total Directorate Budgets	195,691		582,728	-415,369	167,359	22,029	189,387
Corporate And Technical Budgets							
Coroners Court	216						217
Freedom pass	-1108						-
LPFA levy	297						297
Contribution to subscription	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
Apprenticeship Levy	400						400
Pay Inflation	1,221						3,221
London Living Wage	-						450
Employer's Pension Contribution	192						192
Other Corporate budget	245						245
Goods And Service Inflation	1,100						3,760
Treasury Management expenses	2,012						2,012
Capital Financing Cost	32,452						34,983
Capital Financing adjustments	- 27,082						- 27,082
Grant							
Sec.31 Grant Business Rate Reliefs	- 2,500						- 4,760
Income compensation for sales, fees and charges - 3 mth extension	- 500						-
National Insurance Increase	-						800
Covid-19 pressures grant 2021/22	- 6,051						-
New Homes Bonus	- 3,185						- 3,022
Lower Tier Grant 2021/22	- 399						- 421
Council Tax Support Grant	- 1,780						-
Multiplier Cap Funding - Continuation for	- 2,067						- 3,259
Additional Adult Social care grant	- 3,808						-
Other Budget Adjustments							
Budget Planning Contingency	-						- 14,711
Business Risk Reserve	- 3,350						-
Other Reserves	- 2,852						-
Contingency - General	1,248						1,248
Litigation Budget	250						250
New Services Grant for 2022/23	-						- 2,735
SEN transformation savings	-						-
Transformation savings	- 1,000						-
Use of Capital Receipt Flexibility	- 2,000						-
Gayton Road Income	- 594						- 579
Sub Total Corporate and Technical Adjustment	-16,251						-6,102
Funding Gap							
TOTAL BUDGET REQUIREMENT	179,440						183,285
BUDGET REQUIREMENT FUNDED BY							
Contribution re Collection Fund Deficit/Surplus(-) b/f	- 180						52
Revenue Support Grant	- 1,585						- 1,648
Business Rates Top-up Grant	- 22,623						- 22,623
Retained Business Rates	- 15,346						- 12,881
Council Tax Income	- 139,706						- 146,185
Total Funding	- 179,440						- 183,285
Council Tax for Band D Equivalent							
General (£)	1,425.94						1,457.76
ACS(£)	172.76						188.74
Harrow Increase (£)	1,598.70						1,646.50
GLA (£)	363.66						395.59
Total after Increase (£)	1,962.36						2,042.09
Increase							
General (%)	1.99%						1.99%
ASC (%)	3.00%						1.00%
GLA (%)	9.51%						8.78%
Total Increase (%)	5.80%						4.06%
Tax base	87,667						88,785
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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Levies, Contribution and Subscriptions 2022/23

The table below shows the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2022/23. These sums are set by other bodies and are outside the Council's control.

	2021/22	2022/23	Changes	Changes	Comments
	£'000	£'000	£'000	%	
London Borough Grant	187	187	-	0.00%	Based on notification
Freedom Pass Levy	8,591	5,740	- 2,851	-33.19%	Based on notification
Joint Committee Subscription	162	162	-	0.00%	Based on notification
Environment Agency Levy	205	205	-	0.00%	Assume 2021/22 as precept due first week in Feb.
Coroners Court Levy	296	296	-	0.00%	Assume 2021/22 - final figure due in March.
Traffic Control Levy	295	325	30	10.17%	Notified Dec 2021 by London Councils
London Pension Fund Authority Levy	298	298	-	0.00%	Assume 2021/22 figure - figure due mid Feb.
West London Waste Authority Levy	2,000	2,205	205	10.25%	This budget is based on WLWA's budget report for 2022/23.
Lee Valley Levy	210	210	-	0.00%	Due mid Feb - no increase in budget papers but it is allocated on tax base.
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) 2022-23

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.

DSG Settlement 2022-23

2. The 2022-23 DSG settlement is based on the number of pupils on the October 2021 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 2021 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 2022-23 is £243.64m.

Table 1 – 2022-23 Dedicated Schools Grant allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,656.89	£6,402.96	21,222.50	13,029.00	£182,255,013.87
Schools Block – lump sum premises					£2,734,950.00
Schools Block – NNDR deduction					-£2,520,281.00
Schools Block – growth fund formula					£948,220.00
Total Schools Block					£183,417,902.87
Central Schools Block					£1,410,135.00
High Needs Block (after import/export adjustments & recoupment)					£40,199,734.00
Early Years Block					£18,615,893.00
Total Dedicated Schools Grant Allocation 2022-23					£243,643,664.87

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 3% and 4%.
4. 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.

5. 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.
6. 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 2022-23, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2022-23

Factors	2021-22		2022-23		% Change	
	Pri	Sec	Pri	Sec	Pri	Sec
Pri AWPU	£3,429.15		£3,540.05		3%	
KS3 AWPU		£4,835.72		£4,991.51		3%
KS4 AWPU		£5,449.52		£5,625.35		3%
FSM	£505.09	£505.09	£517.20	£517.20	2%	2%
Ever6	£631.37	£922.35	£649.25	£951.86	3%	3%
IDACIF	£236.08	£340.39	£242.09	£352.13	3%	3%
IDACIE	£285.49	£455.68	£297.11	£467.68	4%	3%
IDACID	£450.19	£636.86	£462.18	£654.75	3%	3%
IDACIC	£488.62	£691.76	£506.19	£715.27	4%	3%
IDACIB	£521.56	£746.66	£539.21	£770.29	3%	3%
IDACIA	£680.78	£949.80	£704.27	£979.37	3%	3%
LPA	£1,202.34	£1,822.73	£1,243.47	£1,881.72	3%	3%
EAL	£603.92	£1,630.57	£621.74	£1,683.64	3%	3%
Mobility	£988.23	£1,416.46	£1,017.89	£1,463.56	3%	3%
Lump Sum	£129,347.9	£129,347.93	£133,480.95	£133,480.95	3%	3%

Minimum Funding Guarantee

7. In 2022-23 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the third 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%.
8. 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.
9. 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.

Additional Funding

10. In 2022-23 School Forum voted to allocate £700k funding from its brought forward contingency to support school budgets in 2022-23. 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.

Supplementary Funding

11. In December 2021 the Government announced the new Schools Supplementary Grant for 2022-23. This is additional funding to provide support for the costs associated with the Health & Social Care Levy and other wider costs. The grant is payable to all mainstream schools, academies & free schools for pupils in nursery through to sixth form.
12. School level allocations will be published in Spring 2022. The additional funding will be payable as a separate grant in 2022-23 but will then be rolled into the National Funding Formula (for Reception to Y11) from 2023-24.

High Needs Block

13. 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
14. 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.
15. 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.
16. In addition, between 2013-21 there has been an increase in HNB funding of 54% compared with an increase in HNB spend of 56% and an increase in the number of EHCPs from 1,170 in January 2014 to 2,040 in January 2022 (75%).
17. The HNB budget allocation for 2022-23 is set out at Table 3

Table 3 – 2022-23 High Needs Block Funding

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£39,192,856
Basic Entitlement Factor (excl TPG/TPECG)	£3,293,370
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,578,000
Additional Funding for Special Free Schools	£12,000
Hospital Education	£212,859
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	£41,699,732
Academy recoupment for SEN units, special schools and FE	-£1,500,000
Net High Needs Block 2022-23	£40,199,732

18. It should be noted that the import/export adjustment figure will be updated in June 2022 to reflect the January census.
19. 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.
20. In 2022-23 there is an increase in funding of approx £3.176m.
21. It is anticipated that the High Needs Block will also receive Supplementary Funding as a top up to the calculated figures in the above table. This is expected to cover additional costs which have arisen since the original HNB funding formula was derived, including to support providers funded by the HNB in respect of the Health & Social Care Levy. More details regarding this funding will be published in Spring 2022.

DSG Deficits

22. 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.
23. 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.
24. 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 in the authority's published draft accounts.

25. Harrow's projected cumulative deficit of £4.5m as a proportion of gross budget of £241m would equate to approx. 2% and will therefore require a deficit management plan.

26. The deficit has accumulated as follows

Financial Year	Deficit £'000
2019-20	£2,944
2020-21	£786
2021-22 (projected)	£822
Total (projected)	£4,552

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

28. The Deficit Management Plan is underpinned by the Special Educational Needs and Disability (SEND) Strategy 2019-2024 approved by Cabinet in February 2014. It serves as a tool to project and monitor the financial progress of the implementation of the strategy.

29. It is anticipated that by achieving the vision of the strategy through the four strategic priorities that financial efficiencies can be made. This will predominantly be achieved by increasing in-borough specialist provision to reduce the reliance on more expensive out of borough independent provision where needs can be met in-borough.

Early Years Block

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

3 & 4 year old funding

31. 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.

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

33. In 2022-23 the hourly rate per pupil that the LA receives will increase from £5.72 to £5.89 per hour.

34. It is proposed to distribute the additional funding through the existing formula structure and add it to the base rate. This also maintains the base rate at 90% of the factor funding and 10% allocated to supplements.

Table 4 – indicative 2022-23 EYSFF

Description	2022-23		
	Hourly	Pupils	Total
Total Early Years Block	£5.89	5,017.79	£16,846,226
5% LA Early Years Service Retention			£842,311
Funding available to providers	£5.60		£16,003,915
Top-slice SEN inclusion fund 5%			£800,196
Funding available to providers through formula	£5.32		£15,203,719
Base rate 90%	£4.81		£13,745,048
Supplements 10%	£0.51		£1,458,672
Funding available to providers through formula	£5.32		£15,203,719

2 year old funding

35. There is also a rate increase for the funding for 2 year olds. This will increase from £6.08 to £6.29 per hour from April 2022. The full increase will be passported to providers.

SEND Inclusion

36. 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.

37. 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.

38. The SEND Inclusion Fund in 2022-23 will be £800k.

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Draft Public Health Funding 2022-23**Appendix 7**

Mandatory Services	£000	
Sexual Health (incl Family Planning)	2,336	
0-19 Services	3,695	
Health Checks	<u>184</u>	6,215
Discretionary Services		
Tobacco Control	73	
Drug & Alcohol Misuse	1,934	
Physical Activity	<u>30</u>	2,037
Staffing & Support Costs		
Staffing	1,000	
Non-Staffing	91	
Overheads	<u>163</u>	1,254
Health Improvement	267	
Wider Determinants of Health	<u>1,652</u>	1,918
Total Expenditure		<u><u>11,424</u></u>
Funded by		
Department of Health Grant	-11,310	
Contribution from Reserve	-114	
Total Income		-11,424

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Reserves Policy

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.

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 2022/23 will continue to focus on accurate and robust management of its revenue budget, capital programme and trading activities. Considering the recommendation to use £14.7m from the Budget Planning Reserve MTFS to balance the 2022/23 budget, there will be an increased emphasis on delivering the 2022/23 budget, at a minimum, to a balanced position but ideally an underspend. And to developing a robust financial strategy to address the predicted MTFS shortfall of £16.593m ready for presentation to the incoming administration in May 2022.

The Council has built up more appropriate annual contributions to provisions including for debt, litigation, vehicles and investment properties in the last few years, and strengthened its balance sheet which does enable the use of one off reserves to balance the 2022/23 budget, but this does leave the Council with very limited earmarked reserves and general fund balances.

There is greater risk as the one off use of reserves in 2022/23 needs to be reversed out in the following year meaning the MTFS is predicting a budget shortfall of £16.593m which requires the development of a robust strategy to achieve financial

sustainability over a relatively short period of time supported by a minimal balance of reserves.

As at 31 March 2022 the level of General Fund Reserve will be £10m, which represents 5.6% of the Council's net revenue budget for 2021/22 (£180m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves 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 2022-23

Appendix 9

Description	Brought Forward 01/04/21	Addition to Reserves 2021- 22	Directorates Draw Down From Reserves	Corporate Reserves Movements	Other Reserves Movement	Balance Carry Forward 31/03/2022	Committed to future MTFS	Revised Carry Forward 1/04/2022
CIL Harrow	-6,730,442				1,980,000	-4,750,442		-4,750,442
Revenue Grant Reserve	-8,823,265	-778,000	2,246,720			-7,354,545		-7,354,545
Compensatory Added Year Reserve	-242,782					-242,782		-242,782
Business Pool Reserve	-767,170					-767,170		-767,170
PFI Schools Sinking Fund	-2,371,579		314,697			-2,056,882		-2,056,882
Public Health Reserve	-2,372,440		0			-2,372,440		-2,372,440
PFI NRC Sinking Fund	-1,751,952					-1,751,952		-1,751,952
Legal Services Contingency	-949,339					-949,339		-949,339
Legal Expansion Reserve	-377,639					-377,639		-377,639
HRA Transformation Reserve	-671,551					-671,551		-671,551
Carryforward Reserve	-2,041,393			2,041,393		0		0
Collection Fund Reserve	-8,924,753				8,082,591	-842,162		-842,162
Equalities Diversity & Inclusion Reserve	-250,000		125,000			-125,000		-125,000
London Living Wage Reserve	-250,000					-250,000		-250,000
Capital Feasibilities Reserve	-500,000				24,000	-476,000		-476,000
Accommodation Strategy Reserve	-725,000					-725,000		-725,000
Adults Social Care Reserve	-1,969,475			0		-1,969,475		-1,969,475
IT Reserve	-134,000					-134,000		-134,000
Borough Election	-398,747					-398,747		-398,747
Harvist Reserve Harrow Share	-15,889					-15,889		-15,889
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	-152,902					-152,902		-152,902
Libraries Reserve	-150,000					-150,000		-150,000
Vehicle Fund	-920,478					-920,478		-920,478
Investment Property Reserve	-841,875					-841,875		-841,875
DSG Overspend	3,730,218				822,000	4,552,218		4,552,218
PAP Sinking Fund	-190,000					-190,000		-190,000
HRA Hardship Fund	-25,000					-25,000		-25,000
HRA Regeneration Reserve	-722,200					-722,200		-722,200
HRA Repair Reserve	-277,428					-277,428		-277,428
Business Risk Reserve	-5,350,000		1,001,000			-4,349,000		-4,349,000
Budget Planning Reserve MTFS gap	-16,688,761	-1,300,000		852,000		-17,136,761	14,711,000	-2,425,761
Capacity Build/ Transformation Reserve	-2,000,000		416,000			-1,584,000		-1,584,000
MTFS Implementation Reserve	-349,683					-349,683		-349,683
Total non General Fund Reserves	-64,882,826	-2,078,000	4,103,417	2,893,393	10,908,591	-49,055,425	14,711,000	-34,344,425
	0							0
General Fund Reserves	-10,000,000					-10,000,000		-10,000,000

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Report of the Chief Finance Officer – 2022/23 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. Local Government was 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 whilst experiencing significant increases in demand. 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.

SR21 and the Autumn Budget set out the Governments taxation and public expenditure plans for the year ahead and confirmed resources and capital budget for the three years 2022/23 to 2024/25. The Indicative Financial Settlement confirmed levels of funding for 2022/23 only and was not the three year settlement that SR21 and the Autumn Budget predicted but this is cannot be used as a deterrent from the Council addressing its financial challenges.

There does remain significant areas of uncertainty around the future of Local Government funding beyond 2022/23, which will directly impact on Harrow finances, with the outcome of major events unknown:

- Fair Funding Review and assessment of need
- Business Rates Reform and Revaluation
- The Adult Social Care Green Paper
- The High Needs Block within the Dedicated Schools Grant
- The new phrase 'levelling up' between the regions.

This list of unknowns is extended as a result of the Covid-19 pandemic and what the legacy impacts on both the Council, its residents and businesses will be.

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 since 2021/22. In Adult services the forecast demand pressures continue to be in the region of 6% to 8% per annum.

In the wider economy there remains considerable uncertainty around the impact of Brexit, inflation rates rising exponentially, interest rates increasing, the impact of increasing NI Contributions, 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 potential impacts on demand for services.

However, all these factors cannot be a deterrent from the Council addressing its significant financial challenges.

The Council has set a three-year Medium-Term Financial Strategy to 2024/25 based on the Local Government Indicative Financial Settlement and SR21 / Autumn Budget announcements. To achieve the legal requirement of a balanced budget for 2022/23, £14.7m of reserves have been applied. Reserves are temporary in nature and must be reversed out in the following year and this leaves the Council with a predicted £16.593m budget gap over its MTFS. The MTFS does assume a 2.99% increase in Council Tax per annum and estimated additional grant funding of £6m is built into years 2 and 3 of the plan therefore future funding announcements will not make a material difference to the predicted gap of £16.593m and should the estimated level of grants (£6m pa), not materialise it will increase the gap. The MTFS assumes a balanced budget for 2024/25 accepting that this is based on high level assumptions as forecasting so far in advance has its challenges, The budget gap of £16.593m cannot be ignored otherwise the Council is putting its financial sustainability and its legal requirement to set a balanced budget at risk.

In respect of the 2022/23 budget, the advice of the S151 Officer is that it is sufficiently robust. All income and grant adjustments are in line with the Indicative Settlement, known growth has been provided for within financial constraints and the budget includes a contingency for unforeseen items if the Final Settlement materially changes. Specifically, in relation to the 2022/23 budget, the robustness assessment is provided following the consideration of several factors:

- The 2022/23 budget includes minimal savings compared to previous years which will be easier to manage alongside developing the strategy to achieved financial stability over the MTFS.
- The agreed strategy for the delivery of the 2022/23 budget is no cost overruns and to look at safe options to deliver an underspend.
- 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 2021/22 to ensure that, as far as possible, the impact into 2022/23 is minimal as grant funded activities have been ceased or pressures have been built into growth assumptions.
- 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 2022/23 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 current £10m level. No allocations can be made from general fund balances unless already planned and signed off by the S151 Officer and the MTFS 2022/23 includes no plans for a call on general fund balances.

The Council is forecasting to hold balances / reserves of £59.055m to carry forward into 2022/23, which is reduced to £44.344m after accounting for the planned draw down of £14.7m from the Budget Planning MTFS Reserve to balance the 2022/23 budget:

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 net revenue budget 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 built into the MTFS and draw downs can only be approved by the S151 Officer. The advice of the S151 Officer is that general fund balances of £10m must remain intact to provide an element of safety net for the Council and any opportunities to increase them must be considered to increase the Council's future financial resilience.

Ear Marked Reserve £28.044mm- ear marked to specific items.

Non ear marked reserve of £6.3m – four individual reserves make up this balance, and they are not ear marked to specific items, London Living Wage (£250k), Business Risk Reserve (£3.350m), MTFS Implementation (£349k) and Budget Planning MTFS (£2.425m). At year end these will be consolidated into the Budget Planning MTFS reserve.

The 2022/23 budget still includes the ongoing revenue contingency of £1.248m for unforeseen items.

In conclusion, the 2022/23 budget has been prepared as robustly as possible and it achieves its legally required balanced position. The Council must remain committed to its agreed strategy of maintaining its tight grip on the budget to ensure no cost overruns and looking at all safe options to deliver an in-year underspend. There is no capacity to overspend the 2022/23 budget. The Council has to address its predicted MTFS budget gap of £16.593m. The MTFS already assumes £12m of additional central government funding, which is an accepted risk, therefore relying on future funding announcements for 2023/24 and 2024/25 to reduce or irradiate the predicted gap is not feasible. The Council's remaining none ear marked reserves are low and whilst these do provide limited scope for smoothing the budget gap over the MTFS to ensure actions to reduce expenditure to within budget are done safely and well planned, the Council has no capacity to not address its funding challenges and move the funding gap into future

years. The Council must prepare a robust MTFS Funding Strategy to be completed by May 2022 to present to the incoming administration. This must be a hybrid strategy:

- Options to generate income to provide implementation funding and / conversion to permanent revenue budget savings
- Shorter term actions capable of being implemented by or before 01/04/23
- Medium term actions, including changes to service delivery, to sustainably reduce expenditure over the next 18 to 24 months.

If this strategy is not developed, agreed and delivered the financial stability of the Council and its ability to set a balanced budget will be severely compromised.

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 are forecast to deliver and underspend against the 2021/22. These robust arrangements will continue into 2022/23 and will remain under review to ensure they keep pace with the requirements of the organisation. The agreed strategy for 2022/23 is to continue to maintain a tight grip on the 2022/23 budget, to ensure no cost overruns and to identify all safe options to deliver an in-year underspend

Model Council Tax Resolution

Harrow Council

Council Tax Resolution 2022/2023

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 2022/2023 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 9 December 2021 the Council calculated the amount of 88,785 as its Council Tax Base for the year 2022/2023 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 made under Section 31B(3) of the Local Government Finance Act 1992 (The Act).
- (2) That the following amounts be now calculated by the Council for the year 2022/2023, 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)** £628,757,502
 - (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)** £482,573,000
 - (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.** £146,184,502
 - (iv) Being the amount at (iii) divided by the Council Tax Base, calculated by the Council at its meeting on 9 December 2021 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)** £1,646.50

(v) Valuation Bands

	A	B	C	D	E	F	G	H
£	1,097.67	1,280.61	1,463.56	1,646.50	2,012.39	2,378.28	2,744.17	3,293.00

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 2022/2023 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
£	263.73	307.68	351.63	395.59	483.50	571.41	659.32	791.18

- (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 2022/2023 for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	1,361.40	1,588.29	1,815.19	2,042.09	2,495.89	2,949.69	3,403.49	4,084.18

- (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 2022/23 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 2022/2023.



Members' Allowances Scheme

1. This scheme shall have effect until 31st March 2023. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £8,711 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 £10,872 per annum shall be paid to the Mayor and an allowance of £2,164 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 2023/24, 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 £3.00 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 2022 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	£2,179
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	£4,878
3	Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee Non Executive Members of Cabinet	£7,037
4	Chair of the Overview and Scrutiny Committee Chair of the Planning Committee Leader of the Second Largest Group	£9,195
5	Cabinet Members	£20,861
6	Leader of the Council	£32,588

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 2022/2023

Harrow Council supports openness and accountability and is pleased to publish its Pay Policy Statement for 2022/23. In compliance with the statutory provisions of 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 January 2022:**Annual Pay award**

There has been no settlement agreement of the JNC/NJC and GLPC national annual pay award for 2021 for Chief Officers and Officers. Currently Harrow employees continue to be paid in line with Harrow pay scales from 1 April 2020.

On 19th October 2021, National Employers declined the request by unions to reopen the pay negotiations ongoing since February 2021 and reaffirmed the pay offer originally made in July 2021 as follows:-

- With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
- With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above
- Completion of the outstanding work of the joint Term-Time Only review group
- A national minimum agreement on homeworking policies for all councils

Pending agreement of the national annual pay award, the Harrow pay scales will be increased accordingly from 1 April 2021.

London Living Wage update

The London Living Wage has been increased from £10.85 in 2020 to £11.05 per hour from November 2021.

Harrow Council's lowest paid employees are currently paid the London Living Wage at £10.85 per hour from April 2020.

Following agreement of the National Joint Council's annual pay award, Harrow's lowest spinal points will be increased to no less than the current London Living Wage from 1 April.

The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (Exit Payment Cap Directions 2021)

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

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

From 12 February 2021, the government issued the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (Exit Payment Cap Directions 2021) which disapply parts of the Restriction of Public Sector Exit Payments Regulations 2020 in England with immediate effect.

In light of the withdrawal of the 2020 Regulations legislation, employers are encouraged to pay to any former employees who had an exit date between 4th November 2020 and 12th February 2021 and to whom the cap was applied, the additional sums that would have been paid but for the cap. Given that the cap has now been disapplied, it is open to employers to do so and HM Treasury's expectation is that they will do so.

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.

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, a small number of transferred Public Health staff, Educational Psychologists² and some centrally employed teaching staff³

The pay scales are revised annually from April 1st of each year. The officers and managers scales are published online: [Officers Pay scale 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 managers pay 2020-21 \(harrow.gov.uk\)](#)

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.

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

³ Teachers are paid according to the national Teachers Pay and Conditions pay scales – annually at 1 September

- ## Remuneration of Lowest Paid Employees

The Council's lowest paid employees are paid not less than the London Living Wage.

Harrow is currently seeking accreditation from the Living Wage Foundation. The primary requirement for this accreditation is that we are a London Living Wage employer. Since 2015, Harrow resumed increasing the lowest points on its salary scales to meet the London Living Wage and has continued to pay the London Living Wage consistently to date.

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 (Head of Paid Service)

In 2004 the Council entered into a single status agreement with its recognised trade union, introducing common job evaluation schemes⁴ 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.

From April 2013 the Council took over specific public health functions from the NHS and staff transferred from the NHS to the Council on NHS grades and pay scales. New public health posts are being recruited to on the local government grades and pay scales.

The Council supports the national (JNC/NJC⁵ 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.

⁵ Joint Negotiating Committee / National Joint Council

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. Details of Reward and Recognition payments to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](https://www.harrow.gov.uk/2020-21/senior-managers-pay)

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 managers pay 2020-21 \(harrow.gov.uk\)](#)

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 of HR and the portfolio holder of the directorate. Details of market supplement payments to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](#)

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 Governance is the Returning Officer for Harrow Elections.

Details of fees for election duties paid to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](#)

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:

- [Harrow Pension Fund - Policy on Discretions](#)
- [Annual Report and Pension Fund Final Accounts 2019-20 \(harrowpensionfund.org\)](#)

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.

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](#)
- [Harrow Pension Fund - Policy on Discretions](#)

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 managers pay 2020-21 \(harrow.gov.uk\)](#)

Further information on the scheme is published online: [Red Payments Agreed](#)

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

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 refer to 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 (i.e. pensions attributed to an award of compensatory added years) 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

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.

- The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19.
- In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22.
- As part of the Spending Review announced in October 2021, Government signalled that the scheme will continue beyond 2021/22 but have not yet announced if the scheme will remain the same and so the best advice provided by DLUHC is that we assume it continues in its present form.

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.

Saving on Appendix 1A

Savings Reference	Description of Proposal	2022/23 £	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
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	N	N	N	N	N	N	N	N	N	N	N	N

Note: This proposal is likely to have a beneficial equalities impact

Savings on Appendix 1B - no Savings

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Summary of Resident Consultation

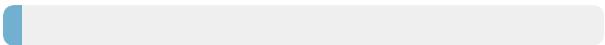

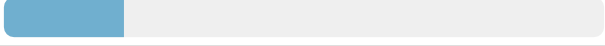

Question 1

Please provide your postcode, or if you prefer, the first four characters from your postcode.

This question has been answered 59 times.

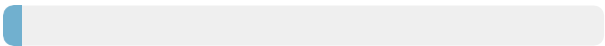
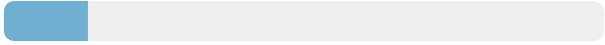
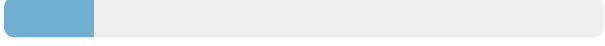

Question 2

Given the extent of the savings required, overall do you agree with the Council's proposed draft budget?

Strongly Agree		2
Agree		9
Disagree		12
Strongly Disagree		36

Question 3

Given the Council's funding situation, do you agree with the Council's proposal to increase core Council tax by 1.99%?

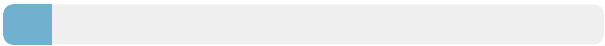
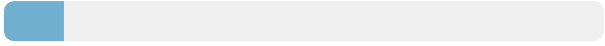
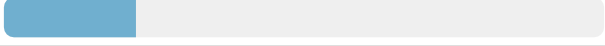

Strongly Agree		2
Agree		8
Disagree		9
Strongly Disagree		40

Question 4

Given the Council's funding situation, do you agree with the Council's proposal to


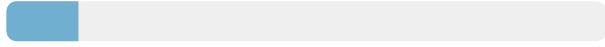

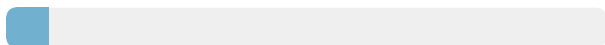
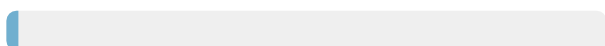

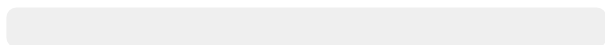
Summary of Resident Consultation

further increase Council tax by the 1% adult social care precept?

Strongly Agree		5
Agree		6
Disagree		13
Strongly Disagree		35

Question 5

Are you, or are you the representative of:

a Harrow Council Tax payer?		58
a payer of other taxes, rates or levies to Harrow Council?		7
someone who uses Harrow Council public realm and environmental services including roads, bin collection, schools or libraries?		27
someone who uses Harrow Council social care services including neighbourhood resource centres or social worker visits?		4
someone who uses Harrow Council housing services including housing benefit or council-owned housing?		1
someone who uses other Harrow Council services (please specify)?		5
someone who has a different interest in Harrow Council operations (please specify)?		0

Summary of Resident Consultation

Question 6

How does the budget, overall, affect you or your family?

This question has been answered 49 times.

Question 7

Do you have specific comments, views, ideas or points to make about the budget in general or any of the proposals in the budget in particular?

This question has been answered 41 times.

Question 8

After reading our proposals, can you think of other, better options for saving money, reducing spending or limiting provision in Harrow's services, or ways to increase our income through commercial or other projects?

This question has been answered 45 times.

Equality Monitoring

The following questions are anonymised. We ask them to find out if we are hearing from a full cross-section of Harrow's diverse population.

This question has been answered 6 times.

What is your age group?

Under 16		0
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Summary of Resident Consultation

16 – 24 years		0
25 – 44 years		16
45 – 64 years		26
65 & over		10

Disability

Are your day-to-day activities limited because of a health problem or disability which has lasted or is expected to last at least 12 months?

No		48
Yes, affecting mobility		2
Yes, affecting hearing		1
Yes, affecting vision		0
Yes, a learning disability		0
Yes, mental ill-health		0
Yes, another form of disability		0

Marriage or Civil Partnership

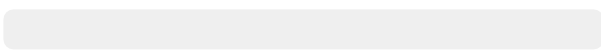

Are you married or in a civil partnership?

Yes		35
No		13

Pregnancy or Maternity


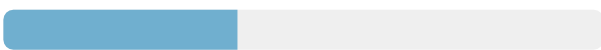
Have you been pregnant and / or on maternity leave during the past 2 years?

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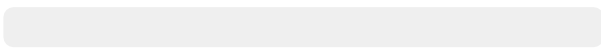
Yes		0
No		47

Sex

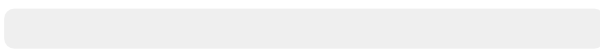
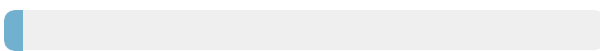
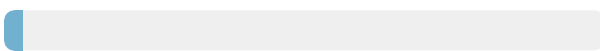

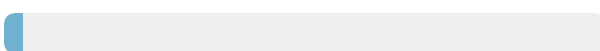
What is your sex?

Male		28
Female		18

Is your gender identity the same as the gender you were assigned at birth?

Yes		48
No		0

Sexual Orientation

Bisexual		0
Gay Man		1
Gay Woman / Lesbian		1
Hetrosexual		37
Other		1

Ethnic Origin

Asian or Asian British

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Afghan		0
Bangladeshi		0
Chinese		0
Indian		14
Pakistani		0
Sri Lankan		0
Other Asian background:		1

Black or Black British

African		0
Carribean		4
Somali		0
Other Black background:		2

Mixed Background

White and Black African		0
White and Black Carribean		0
White and Asian		1
Other mixed background:		3


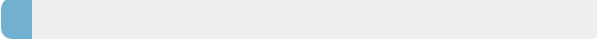
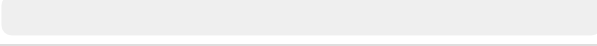
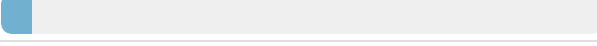
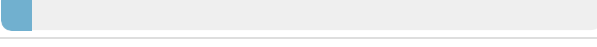
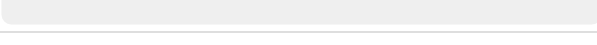
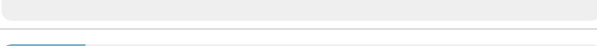
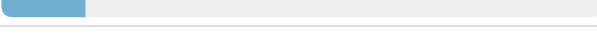
Other ethnic background

Arab		0
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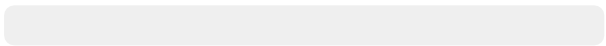

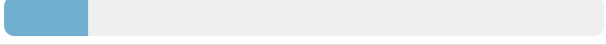
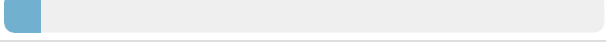
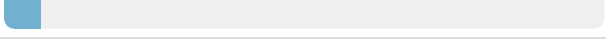
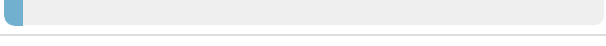
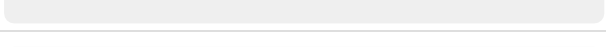
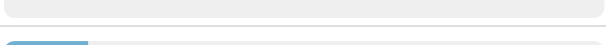
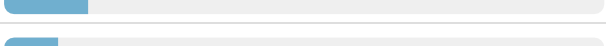
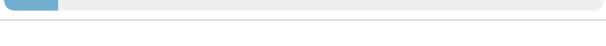
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Other ethnic backgrounds:		1
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White or White British

English		16
Irish		1
Polish		0
Romanian		1
Scottish		1
Welsh		0
Irish Traveller/Gipsy		0
Other white background:		3

Religion and belief

Buddhism		0
Christianity (all denominations)		17
Hinduism		5
Islam		2
Jainism		2
Judaism		1
Sikhism		0
Zoroastrianism		0
No religion/Atheist		5
Other religion:		3

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