

## CABINET

18 February 2019

<b>Title:</b> Budget Framework 2019/20 and Medium Term Financial Strategy 2019/20-2020/21	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Strategic Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary:</b>  This report sets out the: <ul style="list-style-type: none"><li>• Medium Term Financial Strategy (MTFS) for 2019/20 to 2020/21;</li><li>• Proposed General Fund budget for 2019/20;</li><li>• Proposed level of Council Tax for 2019/20;</li><li>• Draft capital investment programme 2019/20 to 2022/23.</li><li>• Update on the Dedicated Schools Grant and Local Funding Formula for Schools.</li><li>• Update on the Flexible use of capital receipts to support transformation</li></ul> <p>The General Fund net budget for 2019/20 is £148.820m and the proposed net budget for 2020/21 is £148.023m. The budget for 2019/20 incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by the Cabinet in February 2017 and February 2018 together with changes in government grants and other financial adjustments.</p> <p>The Council proposes to increase Council Tax by 2.99%. This includes 1.99% for general spending and a further 1% that is specifically ringfenced as a decision by this Authority for Social Care and Support for Children and Disabled People. This will increase the level of Council Tax from £1,199.63 to £1,235.50, (£35.87) for a band D property.</p> <p>The Mayor of the Greater London Authority (GLA) is proposing to increase the GLA element of Council Tax by 8.9% (£26.28) for a Band D property, changing the charge from £294.23 in 2018/19 to £320.51 in 2019/20, of this £24 relates to the Police Precept. The combined amount payable for a Band D property will therefore be £1,556.01 for 2019/20, compared to £1,493.86 in 2018/19. This is a total change of £62.15 for the Council Tax bill for 2019/20. At its meeting on 22<sup>nd</sup> January 2019, the Cabinet agreed an enhanced Council Tax Support Scheme in order to continue to support local residents on very low incomes.</p> <p>The proposed draft 4-year capital programme is £744.323m for 2019/20 to 2021/22, including £245.100m for HRA schemes. Details of the schemes included in the draft capital programme are at Appendix E.</p>	

## **Recommendation(s)**

The Cabinet is asked to recommend the Assembly to:

- (i) Approve a base revenue budget for 2019/20 of £148.820m, as detailed in Appendix A to the report.
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2019/20 to 2020/21 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report, including the additional cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;
- (iii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to finalise any contribution required to or from reserves in respect of the 2019/20 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2019;
- (iv) Approve the Statutory Budget Determination for 2019/20 as set out at Appendix C to the report, which reflects an increase of 2.99% on the amount of Council Tax levied by the Council and the final Council Tax proposed by the Greater London Assembly (8.9% increase), as detailed in Appendix D to the report;
- (v) Note the update on the current projects, issues and risks in relation to Council services, as detailed in section 4 of the report.
- (vi) Approve the Council's draft Capital Programme for 2019/20 to 2022/23 totalling £744.323m of which £498.473m are general fund schemes, as detailed in Appendix E to the report;
- (vii) Approve the Flexible Use of Capital Receipts Strategy as set out in Appendix F to the report;
- (viii) Note the briefing on the potential implications of Brexit for the Council as set out in Appendix G to the report;
- (ix) Note the Chief Finance Officer's Statutory finance report as set out in section 10 of the report, which includes a recommended minimum level of reserves of £12m; and
- (x) Approve the updated Dedicated Schools Budget for 2019/20 including the hourly rate payable to Early Years providers (3-4 year olds.) as set out in section 11 and Appendix H to the report.

## **Reasons**

The setting of a robust and balanced budget for 2019/20 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; London's growth opportunity and delivery of the priorities within available resources.

## **1. Introduction and Background**

- 1.1 The purpose of this report is to provide Cabinet with an update on our financial position and to seek agreement to proposals for the revenue budget for 2019/20 of £148.820m.
- 1.2 The report also sets out the Medium Term Financial Strategy (MTFS) for 2019/20 to 2020/21 and the Council Tax level for 2019/20.
- 1.3 Local Government as a whole faces unprecedented financial challenges with year on year cuts to the funding from central government while the demand for services is rising. Councils can respond to this level of challenge in a variety of ways that reflect the scale of their ambition for their residents. This Council has chosen to take a bold, new and ambitious approach based on investing in services, maximising economic growth and the consequent opportunities and transforming the way the council runs.

## **2. Our Medium Term Financial Strategy**

### **Our Challenges**

- 2.1 Under the government's policy of austerity, funding for public services has been reducing steadily since 2010/11 with Local Government funding being particularly deeply reduced – by around 40% over this period. This has been a challenge for the whole sector but especially for those authorities who serve communities with higher levels of need and those which were more dependent on central government funding due to their lower tax base.
- 2.2 Barking and Dagenham is such a Council – we are a fast growing borough with a young population and many of our citizens face a range of challenges and disadvantages that mean that they may need help and support from the Council at some point. In many cases population growth is a direct driver of demand for services - for example, recent evidence from the National Audit Office (NAO) regarding children's social care spend, found that growth in child populations equate to similar levels of increases in referrals to children's social care.
- 2.3 We are also a borough that is ambitious and sees the opportunities that are there for a place that can rightly be called "London's Growth Opportunity." We have therefore responded to the challenge of austerity not merely with a range of ever deeper budget cuts, but with a medium term strategy that is based on transforming the Council and maximising housing, business and economic growth.
- 2.4 This includes the creation of an investment portfolio, the establishment of subsidiary companies to deliver services more efficiently and generate additional income and the redesign of all Council services into a New Kind of Council. The funding for the programme that delivered this scale of transformation has been largely drawn from the Flexible Use of Capital Receipts and further information on this can be found in an appendix to this report.
- 2.5 We are now just half way through the Transformation programme. This report provides an update on our progress to date and the forthcoming work in 2019/20. As might be expected with a programme of such size and complexity there have

been many achievements but in some areas we have come across further challenges that have delayed or changed the level of saving that may be achieved.

- 2.6 The area of greatest concern for us financially is Care and Support. These are very important services providing vital help to our most vulnerable citizens at their times of greatest need – from home care that helps a frail and elderly person stay in their own home or return there after a stay in hospital, to support that means a severely disabled young person can lead a fulfilling life in the community or the social work that protects a child from serious harm. People in need of these services have both a statutory and moral right to them which means that the Council cannot restrict access to them. The numbers in need of assistance tend to grow at least in line with demographic trends but funding has not been increased to match, and recent experience suggests that demand has significantly outstripped demographic predictions. This is not just an issue for Barking and Dagenham – it is a matter of serious national concern that the Government is beginning to recognise. Additional national funding has been provided as a result and we have increased our local funding as far as possible. The services are adapting their transformation programmes to reflect improved understanding of the impact of past changes and the new policy context that the Council has developed. As new pressures become evident, it is important that we invest our resources in a balance of transforming and developing services and meeting the immediate pressures in budgets. This will give us the best long-term chance to establish a sustainable social care service for our residents.
- 2.7 The Council's Medium Term Financial Strategy for 2017/18 to 2020/21 was established and approved in February 2017. This set out the overall strategy for the period including a savings and income programme of £48m over the four years. This was updated in February 2018 which made a number of corrections and adjustments and added a further £9.646m of savings.
- 2.8 Since then there have been two update reports this year in July and November which confirmed the direction of travel. In November there was a gap between our planned expenditure and income of £0.570m which would be covered by a drawdown on the Collection Fund surplus or from the budget support reserve.
- 2.9 Since that report was written the Provisional Local Government report has been published which made a number of changes to our funding. In summary an additional £2.229m has become available. Once the small funding gap has been offset effectively this means that there is £1.7m additional funding. It is proposed that this should be used to provide further support to Care and Support – primarily for Children and Disabilities Care and Support services. (This is in addition to the £2.4m additional grant funding and the increased IBCF.)
- 2.10 There are still a number of risks and unknowns to this position. The area of greatest uncertainty remains the impact of Brexit. At the time of writing (30<sup>th</sup> Jan) there is little clarity about what form this will take or what it means for the people of Barking and Dagenham and for the Council. However, we have set our assessment of the possibilities in an appendix to this report.

### **3. Changes to Funding and Business Rates**

- 3.1 In 2018/19, Barking and Dagenham entered into the London wide business rates pilot and in 2019/20 the Council will continue to be part of this, however the Government have changed how this will operate. The new arrangements will see London authorities now retain 75% of any business rates growth across the City. This was previously set at 100% growth in business rates. However, the amount guaranteed to the Council under the “no worse off” arrangements has been increased to compensate. Overall, we estimate that we will receive £79.16m from this pool – which is approximately £0.5m higher than the previous estimate. However, it should be noted that £2m of this depends on estimates of business rates growth in London and so is at risk in the event of economic downturn.
- 3.2 The Council no longer receives any Revenue Support Grant as this has been replaced by the Business Rates pooling arrangements. Government grants such as the Public Health grant, Housing Benefit Administration grant and the Local Council Tax Support grant have continued to witness cuts in allocation placing additional burdens to the Council.
- 3.3 On a positive note the Council has seen increases in the New Homes Bonus for 2019/20 due to the acceleration of housing developments across the Borough. In addition, the Council Tax Base as set in January is £0.291m higher than estimated in the November report.
- 3.4 One-off additional funding for Adults’ and Children’s Social Care has been made available by the government to enable the Council to help towards the growing demand for support to both vulnerable and elderly adults, as well as children needing statutory social care support. £0.913m will be allocated to the Adults’ Commissioner to distribute as appropriate and the remaining £1.56m will be allocated to the Director of People & Resilience, with the purpose to drive innovation in practice approaches that better impact on outcomes and seek to reduce demand, such as interventions which address Adverse Childhood Experiences.
- 3.5 This is the 3<sup>rd</sup> year of the allocation of Improved Better Care Fund (iBCF) so in 2019/20 an additional amount of £1.976m is available to spend to help meet adult social care pressures and work with NHS partners on reducing demand in the system.
- 3.6 In addition the November report proposed a 2.99% Council Tax increase with the a third of this being ring fenced to Care and Support. This will raise an additional £0.6m which will be allocated to the Children’s Commissioner for distribution.
- 3.7 A summary of the grant funding is shown in the table below:

Grant	Changes in Funding 2019/20
Housing Benefit Admin Grant	(£0.115m)
Local Council Tax Support Grant	(£0.011m)
Public Health Grant	(£0.446m)
Winter Pressures (Adults) Grant	£0.913m
IBCF funding increase	£1.976m
Adult and Children Social Care Grant	£1.560m
New Homes Bonus	£0.741m
Business Rates Income	£0.502m

3.8 In addition the Government has allocated a further £0.871m Business Rates Levy surplus. This funding will be received in 2018/19 and will be carried forward to 2019/20 as a one off. The table below shows the additional funding that has become available since the November report was written.

<b>Changes</b>	
Additional Council Tax income from tax base	-0.291
Additional Council Tax income from 2.99% increase	-0.600
Revised Business Rates Pilot (75%)	-0.502
New Homes Bonus	-0.741
Winter Pressures Grant	-0.913
Adult Social Care Support Grant	-1.56
Business Rates Levy Account Surplus	-0.871
Housing Benefit Admin Grant	0.115
Local Council Support Administration Subsidy	0.011
<b>Net changes to MTFS funding</b>	<b>-5.352</b>
Previous MTFS gap	0.570
Allocated to	
Adults	0.913
Childrens	3.869
	<b>5.352</b>

#### 4 Update on Current Projects, Issues and Risks for Council Services.

4.1 The Council is now half way through its Transformation programme and much progress has been made. This section provides an update on the main Council services and programmes, the risks and issues and any particular challenges being faced.

##### **Be First**

4.2 The Council's wholly owned development company Be First, came into existence in February 2017 and started trading as an independent entity in October 2017. It is now fully established and projects that it will soon become fully profitable as an independent entity. It reports regularly to the Council as its main shareholder.

- 4.3 Cabinet will receive at its March meeting an updated business plan. It is expected that this will state that the company is projecting that it will start to secure significant returns on investment and bring profits to the Council in the next few years.

#### **Investment Strategy**

- 4.4 Overall, the Investment Strategy is scored medium risk and the overall Investment Strategy financial model is being reviewed. However, the Sponsor is confident that the target income can be delivered and that the programme will achieve its main financial targets and service objectives through its larger projects and working with Reside.

#### **Customer Experience & Digital**

- 4.5 This programme has made good progress on redesign of the website and the automation of digital processes. It has also achieved a significant channel shift through opening up other routes to access services that are more cost effective and flexible for customers. It has taken some time to translate this into cashable savings but the programme is confident that these will start to be delivered shortly and will contribute to the 2019/20 savings programme.

#### **Core Support Services**

- 4.6 The Core Support Services Programme savings are due to be delivered in 2020/21. These savings will be achieved through the renewal of the current Support and Customer services contract and right-sizing core services to support the new organisational structure. Work is progressing well with an initial report having been brought to Cabinet last month on the first phase. The future design of the core services is currently being developed.

#### **Enforcement**

- 4.7 The Council brought forward a new Parking strategy last year and improved the effectiveness of its parking enforcement service. This has increased the level of Parking income being achieved back in line with targets. In 2019/20 the Enforcement Service will introduce a new Private Sector Landlord Licensing Scheme to drive up housing quality and standards and tackle poor accommodation and rogue landlords.

#### **Community Solutions**

- 4.8 Community Solutions is the Council's innovative service to work with people in need of early help and support to get back on track. It offers joined up support with a wide range of issues including housing, employment and childcare. The service has an ambitious set of savings but has achieved its 2017/18 and 2018/19 targets and has made good progress on plans for future savings. However, the scale of the savings means there are some risks, particularly the impact on demand on social care services, and by default the 'downstream' social care budgets which are already under significant pressure. Some budget realignment will be required – including the release of some centrally held provisions for loss of HRA income and other pressures in Homelessness.

#### **Children's Care and Support**

- 4.9 The Children's Care and Support service has a set of long-standing financial challenges especially in recruitment and retention of staff and the high cost of placements. Although it can be demonstrated that it has made progress in reducing costs in some areas these challenges have led to large overspends in 2018/19 and

there has been slow progress on some savings. This is not uncommon and the most recent report by NAO on social care pressures, cites 91% of the 152 upper tier local authorities continuing to overspend in children's social care.

- 4.10 Within our MTFs there are a further £1.1m of savings to be made in 2019/20. The service has a range of proposals to deliver these reductions. However, the current pace of growth in demand, places this at significant risk. In recognition of this, and as set out above, the Council will provide a £2.3m of additional funding from its general resources (including a third of the additional Council tax increase for 2019/20) and will pass through the £1.5m of Social Care grant funding to the Director of People & Resilience to allocate between service blocks.
- 4.11 In order to ensure a sustainable care system is in place for the longer-term, the service is developing a new target operating model to strengthen the local practice and intervention model. This will review resource requirements to support a reduction in caseload levels. This will need to sit alongside practice transformation that tackles underlying causes of higher cost services such as residential care and improving permanency to support reductions in overspend.

#### **Disabilities Care and Support**

- 4.12 This service has been established as part of the Transformation programme to provide a more seamless service for people with Disabilities across all ages. Proportionately, this is the most challenging part of the Care and Support budget as the increasing population, improved medical care and longer life expectancies for people with severe disabilities leads to year on year growth. This service is overspent in 2018/19 and, whilst it has proposals to meet its saving target of £0.5m, it has been subject to a full review to consider how the delivery model can be enhanced further to deliver improved outcomes, better efficiencies and more collaborative approaches to residents and partners alike, that build on strengths and community assets. This work will guide the deployment of some of the £4.7m allocated to People & Resilience to support these services, and as in other cases will need a balance of direct investment in the delivery of care to mitigate overspends and transformation investment to ensure that the service is based on a sustainable long-term plan.

#### **Redesign Adults' Social Care**

- 4.13 The transformation programme to redesign Adults' Care and Support is forecasting a savings shortfall in 2018/19 that is contributing, along with high levels of demand, particularly on the hospital discharge pathway, to an overspend. This has been the first year that the service has overspent to any significant degree. However, there are no further savings targets in the MTFs, since the programme was frontloaded. There is still work underway which when complete is expected to deliver on some of those planned savings.
- 4.14 In addition, Adults will receive £1.9m of new IBCF funding and £0.9m of extra grant funding from Central Government to manage winter pressures. Projecting forward to 2020/21, there is not as yet confirmation from Government that the Better Care Fund and other short-term grant allocations will continue. However, in the absence of the Green Paper on the long-term sustainable funding for adult social care, the precedent is now well set to support the delivery of these services by means of these grants. On this basis, the assumption is made that grants continue. In the interim, the service is drawing up further proposals to strengthen its practice model



to increase independence and extend further the use of community assets including the voluntary sector and Community Solutions.

- 4.15 In addition, work to make every pound count continues through improvements to brokerage, commissioning and financial management processes. The additional resources will support some investment in further transformation, alongside containment of current spending pressure and better management of escalating needs against budget pressures.

## **5. Council Tax**

### **5. The 2019/20 Budget**

- 5.1 The net impact of the adjustments outlined together with previously agreed savings and growth is shown in appendix A and B. The Council's net budget for 2019/20 will be £148.820m.
- 5.2 Details of the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2019/20 are yet to be confirmed. The budget includes an increased provision for the cost of levies of £0.685m in respect of the ELWA levy.
- 5.3 It is proposed that authority is delegated to the Chief Operating Officer in consultation with the Cabinet Member for Finance, Performance and Core to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.
- 5.4 The report does not include any estimate for the use of Collection Fund surplus. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.

## **6. Council tax**

- 6.1 Barking and Dagenham maintained a council tax freeze from 2008/09 until Assembly approved an increase for the 2015/16 budget. The impact of not increasing council tax is cumulative over many years and this freeze has resulted in a tax base that is now £15m lower than it would have been had it risen by 1.99% every year.
- 6.2 Given that government funding is reducing in real terms every year while the Council's costs are increasing the Chief Financial Officer strongly advises council tax should as a minimum keep pace with inflation to ensure that the council can continue to meet the demands placed upon it.
- 6.3 The Local Government Financial Settlement for 2019/20 sets a maximum increase of Council Tax of 2.99% without incurring any penalties or being required to hold a referendum. It is therefore proposed that the general council tax increase should be 2.99%. This is expected to provide £1.794m of additional funding that will be used for the investments in services outlined above. In particular £0.6m will be made available to the Director of People and Resilience for Care and Support services.
- 6.4 This increase equates to an additional £35.87 on the level of Council Tax applied by

the Council for a band D property for 2019/20 (from £1,199.63 to £1,235.50.)

- 6.5 The Mayor of the Greater London Authority is proposing to increase the GLA element of Council Tax by 8.9% (£26.28) for a Band D property, changing the charge from £294.23 in 2018/19 to £320.51 in 2019/20. £24 of this is the Police Precept.
- 6.6 The combined amount payable for a Band D property will therefore be £1556.01 for 2019/20, compared to £1493.86 in 2018/19. This is a total change of £62.15 in comparison to the Council Tax bill for 2018/19. As always there will be a Council Tax Support Scheme to help the poorest tax payers.
- 6.7 The calculation of the proposed Council Tax for 2019/20 is shown in Appendix D.
- 6.8 Under the Local Government Finance Act 1992, Council Tax must be set before 11th March of the preceding financial year.

## **7 Consultation**

- 7.1 A consultation exercise on the budget was agreed by Cabinet in November. In acknowledging that there were no new specific savings proposals for 19/20 and so no new changes to public facing services, there was no explicit requirement to consult on these proposals, however, the Council was interested to hear residents' views on the proposed social care precept and their views on the type of services that will need to be delivered in the future.
- 7.2 The exercise comprised a number of events as follows
- An online budget consultation which will run for 6 weeks commencing in November;
  - Facebook events enable real time comments from residents;
  - Face to Face events in Dagenham and Barking to which we will invite resident groups;
  - A specific event for the Chamber of Commerce.
- 7.3 The results of each exercise are below:
- 7.3.1 **Social media posts from 14 November to 10 January**  
8 posts across Facebook (16) and Twitter (42) were posted. In total the content generated 60 likes, 58 shares and 153 comments (this is excluding the Facebook Live). In addition, there were 710 clicks through to the budget page and/or consultation page. Work will be undertaken to gather data from the website and review consultation portal analytics to establish the point at which we "lost" engaged residents, so we can improve the conversion next year.
- 7.3.2 **Facebook Live 18 December 6pm**  
The live video has appeared in 2,474 Facebook feeds and has achieved 921 views, 10 reactions (likes and smiley faces), 2 shares, and 43 comments in total. The core audience demographic was women aged 35 to 44. The majority of questions coming in were about potholes and road conditions. Comments here:  
<https://www.facebook.com/barkinganddagenham/videos/280615465984466/>

### **7.3.3 Face to Face Events**

One element of the consultation exercise was a series of face to face events; one held in Barking, another in Dagenham and a third held at the Town Hall specifically for representatives of the Business community. Although the turnout was not high with less than 30 attendees in total, the sessions provided some useful insights, with questions on the future aims of the Council, concerns regarding the ability to maintain current and new facilities in the way that residents would want them to and concerns that services are not performing well enough.

### **7.3.4 Online consultation**

An online survey was undertaken which had 70 responses. The survey asked what should the Council reduce its spending on, what it should remove spending on and what it could charge residents for. There was a wide range of responses, though a number of comments were focused on the number of councillors, their allowances and senior officer pay.

7.4 In answer to the specific question on the proposed Council tax increase, 38% agreed or strongly agreed with increasing the council tax by 2.99%. A public consultation was carried out in the spring of 2016 with regards to the A2020 programme and the council's future operating model - 89% of those who completed the consultation were supportive of the proposals.

## **8 Capital Programme**

8.1 The Council's current capital budget for 2018/19 is £284,758k. The General Fund capital programme has increased as a result of additional grant funding (as in the Disabled Facilities Grant). The HRA capital programme is £90,352k. More information is provided in the text below and in Appendix A.

8.2 The budgets for the following five years are indicative and may change as a result of budget roll-forward from the 2018/19 financial year, for example if there has been programme slippage. A summary of these budgets is shown in the tables that follow. The HRA capital programme has been updated in relation to the HRA January 2019 Business Plan.

8.3 The two most significant areas of the capital programme are the provision of school places and housing. This reflects the needs of the borough in terms of dealing with a high birth rate and high level of migration into the borough. School expansion schemes are funded by Central Government (via the Education and Skills Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.

8.4 The 2019/20 onwards Schools Programme is under discussion and negotiation and is likely to expand from the figures shown below.

8.5 The table below summarises the position on the currently approved capital programme updated for any changes to profiling or estimates. A full breakdown is also given as an appendix to this report (Appendix C). Cabinet are asked to approve this restatement of the programme.

**Table 1: Five Year Capital Programme (2018/19 – 2022/23)**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>Total £000</b>
<b>Care &amp; Support</b>	£1,805	£400	£400	£400	£0	<b>£3,005</b>
<b>Community Solutions</b>	£349	£0	£0	£0	£0	<b>£349</b>
<b>Core</b>	£2,652	£2,195	£2,122	£0	£0	<b>£6,969</b>
<b>Education, Youth &amp; Childcare</b>	£53,572	£41,641	£12,621	£7,425	£0	<b>£115,259</b>
<b>Enforcement</b>	£1,314	£911	£300	£0	£0	<b>£2,525</b>
<b>Culture, Heritage &amp; Recreation</b>	£6,261	£1,900	£940	£300	£155	<b>£9,556</b>
<b>Investment Strategy</b>	£58,129	£1,000	£0	£0	£0	<b>£59,129</b>
<b>Growth &amp; Homes &amp; Regeneration</b>	£38,160	£4,216	£300	£300	£300	<b>£43,276</b>
<b>My Place</b>	£6,496	£4,000	£0	£0	£0	<b>£10,496</b>
<b>Public Realm</b>	£935	£3,125	£50	£50	£0	<b>£4,160</b>
<b>SDI Commissioning</b>	£3,190	£480	£0	£0	£0	<b>£3,670</b>
<b>Investment &amp; Acquisition Strategy</b>	£13,749	£92,360	£213,930	£146,269	£-39,617	<b>£426,691</b>
<b>General Fund Total</b>	<b>£186,612</b>	<b>£152,228</b>	<b>£230,663</b>	<b>£154,744</b>	<b>-£39,162</b>	<b>£685,085</b>
<b>HRA Total</b>	<b>£90,352</b>	<b>£69,180</b>	<b>£58,710</b>	<b>£58,510</b>	<b>£58,700</b>	<b>£335,452</b>
<b>Transformation</b>	<b>£7,793</b>	<b>£400</b>	<b>£350</b>	<b>£0</b>	<b>£0</b>	<b>£8,543</b>
<b>Total Capital Programme</b>	<b>£284,758</b>	<b>£221,808</b>	<b>£289,723</b>	<b>£213,254</b>	<b>£19,538</b>	<b>£1,029,081</b>

**Financed By:**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>Total £000</b>
<b>Grant</b>	£60,307	£41,796	£12,776	£7,580	£155	<b>£122,614</b>
<b>HRA/MRR</b>	£90,352	£69,180	£58,710	£58,510	£58,700	<b>£335,452</b>
<b>Borrowing</b>	£133,036	£110,432	£217,837	£146,764	-£39,317	<b>£568,752</b>
<b>Revenue</b>	£900	£400	£400	£400	£0	<b>£2,100</b>
<b>Capital Receipts</b>	£163	£0	£0	£0	£0	<b>£163</b>
<b>Total</b>	<b>£284,758</b>	<b>£221,808</b>	<b>£289,723</b>	<b>£213,254</b>	<b>£19,538</b>	<b>£1,029,081</b>

8.6 Cabinet has approved seven new schemes to be undertaken to support regeneration of the borough. The overall budget of £6.8m relating to the new schemes has been added to the programme to fund these strategic projects. These will be funded from borrowing and grants. These new schemes have now been added to the capital programme and are shown in appendix B of the budget monitoring report (presented to this same meeting.)

**9. Flexible Use of Capital Receipts**

9.1 The Council intends to make further use of the flexibility provided by the

Government to use capital receipts for the specific purpose of investment in transformation. Further information on the Council's approach is set out in Appendix F.

## 10. **Statutory report of the Chief Finance Officer**

- 10.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of financial reserves. The Act also requires the Authority to which the report is made to have regard to the report when making decisions about the budget.
- 10.2 In this context, the reference to the Chief Finance Officer is defined in Section 151 of the Local Government Act 1972. This statutory role is fulfilled in this authority by the Chief Operating Officer.
- 10.3 In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £148.820m and council tax requirement of £61.785m for 2019/20 as set out in this report as robust. The level of reserves is sufficient to mitigate known risks during the forthcoming financial year taking account of the Council's financial management framework. However, the financial outlook over the medium term remains challenging with increasing cost pressures and uncertainty due to planned changes to the national local government funding framework from 2020/21. The council will be required to remain proactive in delivering sustainable council transformation to ensure a balanced budget position can be maintained for 2020/21 and beyond.
- 10.4 The robustness of the underpinning financial planning assumptions on which the budget has been determined:
- Financial resources are appropriately aligned to the strategic priorities of the council with appropriate investment to meet priorities and respond to changes in demand.
  - Savings have been identified in line with the Council's transformation programme and action plans are in place for their delivery.
  - Contingency budgets are held centrally to mitigate unforeseen cost pressures in the event they arise during the course of the year. This could be used to meet unexpected increases in demand led services or potential impact of a no-deal Exit from the EU.
  - Employee budgets are based on the appropriate scale point although the cost of annual pay rises is expected to be absorbed within service budgets.
  - Assumptions about future inflation and interest rates are realistic.
  - Income estimates are based on updated forecasts against trend.
  - Capital and revenue budgeting are integrated with the revenue consequences of the capital programme considered as part of the overall budget process.

In preparing this budget, assumptions and calculations have been subject to scrutiny by the Council's officers. Proposals have been scrutinised by staff in the relevant service and endorsed by the relevant Strategic Director.

- 10.5 Appropriate governance arrangements are in place to manage financial resource throughout 2019/20:

- Financial management is delegated appropriately, and commitments are entered into in compliance with Financial Regulations and Contract Rules as contained in the Council's Constitution.
- Effective governance arrangements are in place for budget monitoring and reporting during the financial year with corrective action taken to mitigate overspends where necessary.
- A risk assessment has been carried out on the revenue budget and this is provided in para 5.7. Of concern is the possible impact of a no deal Exit from the EU on the financial position, whose impact cannot be quantified at this stage.

#### 10.6 An assessment of the funding framework for local government:

- The settlement figures provided in the budget are based on the provisional settlement. Any variations in the final settlement will be reported as part of quarter 1 budget monitoring 2019/20.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2018/19, where local referendum is required. The threshold for 2019/20 for general council tax if it rises by 3% or more, alongside a maximum 2% social care precept. The setting of the social care precept must not exceed a rise of 6% over three years, 2017/18 to 2019/20.
- Appropriate assessment has been made of the council tax and business rate base 2019/20 and the likely levels of recovery.

10.7 In assessing the adequacy of reserves, the Chief Finance Officer has considered the current level of reserves and undertaken a risk-based approach to assessing the minimum level of balances. For 2019/20 and 2020/21, this revised approach has resulted in the minimum level of General Fund Reserves to be recommended at £12.0m, some £3m below the previous assessment of £15m. The current level of General Fund balance however is £17m.

10.8 Earmarked reserves are available to provide financing for future expenditure plans. Earmarked reserves (excluding those held by schools under delegation) stood at £43m as at 31 March 2018. These are forecast to be £37.5m by 31 March 2019.

10.9 Of relevance to budget setting, the Council's Budget Support Reserve intended to provide short term support and to pump prime efficiencies is forecast to be £9.4m by 31 March 2019. The underlying budget 2019/20 does not place undue reliance on reserves as general budget support.

10.10 Of relevance to budget setting, the Council's Budget Support Reserve intended to provide short term support and to pump prime efficiencies is forecast to be £9.4m by 31 March 2019. The underlying budget 2019/20 does not place undue reliance on reserves as general budget support.

10.11 The Council continues to be financially challenged over the medium term facing a budget gap of c£10m by 2020/21 (c.7%) reflecting locally known demands for services. In addition, local government finance is faced with a significant period of uncertainty beyond 2019/20, when the current funding arrangements will cease. The Comprehensive Spending Review along with a Fair Funding Review will be completed to take effect from 2020/21. The status of the social care precept and Improved Better Care Funding is also unknown. The Council continues to be

focussed in maintaining its financial health by maintaining pace and embedding current transformations within the heart of the council but will also be required to remain proactive in its activity to deliver sustainable savings for the longer term.

## **11 Update on Dedicated Schools Budget**

- 11.1 A report was presented to Cabinet in December setting out the principles for the Dedicated Schools Budget for 2019/20. Subsequently the DfE have published the expected DSG amounts. Following the publication of this information and further modelling of the expected impact a number of changes to the DSB and the funding formula are proposed.
- 11.2 The December report proposed a transfer of £1.1m from the Schools block to the High Needs block in order to meet pressures in this area. This is still expected to be required.
- 11.3. The December report set out a commitment to offer funding floor protection to schools and work to maintain a funding ratio of 1:1.34 between primary and secondary schools. Modelling carried out on updated data shows that it is not possible to do both. With the consent of schools forum it is proposed to maintain the funding floor protection. This gives rise to a ratio of 1:1.31. The revised funding formula factors are set out in Appendix H to this report. Cabinet are asked to approve these factors which are in line with the principles previously agreed.
- 11.4 The allocation of the Early Years block has also been announced. Following this the Finance team have modelled the impact for Barking and Dagenham and it is proposed that the base funding rate for 3 and 4 year olds is maintained at £4.70 per hour. It is proposed that the deprivation rates remain at the same levels of between £0.22 and £0.30 per hour based on IDACI bandings. It is also proposed that the formula remains at £0.21 per hour for a flexibility factor for Private, Voluntary and Independent sector providers. There has been no increase in funding for 2 Year Olds, therefore no change is proposed to the funding rate of £5.35 per hour to settings with eligible 2 year olds.

## **12. Financial Implications**

Implications completed by: Helen Seechurn, Finance Director

- 12.1 The detailed financial implications have been covered throughout the report. In considering this report, members are asked to note the CFO opinion as outlined in section 10 above.

## **13. Legal Implications**

Implications completed by Dr Paul Feild, Corporate Governance Lawyer

- 13.1 As has been explained in paragraph 10 above the Local Government Finance Act 20103 requires the Chief Finance Officer to report on the robustness of the estimates for calculations and the adequacy of reserves to the Authority and that the Authority must take these matters into account when making decisions on the matters before it in this report. By law a local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. The current budget

setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of agreed savings options. Relevant legal considerations are identified below.

13.2 Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.

- If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
- any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
- any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
- to any responses from stakeholders to consultation undertaken.

13.3 In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant 'protected characteristic'. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information.

## **14. Corporate Policy and Equality Impact**

14.1 The Equality Act 2010 requires a public authority, in the exercise of its functions, to have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant protected characteristic. As well as complying with legislation, assessing the equality implications can help to design services that are customer focussed, in turn leading to improved service delivery and customer satisfaction.



- 14.2 The Council's Equality and Diversity strategy commits the Council to ensuring fair and open service delivery, making best use of data and insight and reflecting the needs of the service users. Equality Impact Assessments allow for a structured, evidence based and consistent approach to considering the equality implications of proposals and should be considered at the early stages of planning.
- 14.3 There are no new savings proposals that put forward and EIAs have also been carried out for all existing saving to ensure the Council properly considers any impact of the proposal. The Council's transformation programme aims to redesign services to make them more person-centred and focussing on improving outcomes for residents. Therefore, in most cases the proposals have either a positive or neutral impact. However, where a negative impact has been identified, the Council will ensure appropriate mitigations are considered and relevant affected groups are consulted.

### **Public Background Papers Used in the Preparation of the Report:**

- Local Government Finance Settlement 2019/20  
<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020>

### **List of appendices**

- Appendix A – Revenue Budget
- Appendix B – MTFs
- Appendix C – The Statutory Budget Determination
- Appendix D – Calculation of the Council Tax Requirement
- Appendix E – Draft Capital Programme
- Appendix F – Flexible Use of Capital Receipts
- Appendix G - Impact of Brexit
- Appendix H - School Funding Formula Factors