

## ASSEMBLY

3 March 2021

<b>Title:</b> Budget Framework 2021/22 and Medium Term Financial Strategy 2021/22 to 2024/25	
<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
<b>Report Author:</b> Philip Gregory, Finance Director	<b>Contact Details:</b> Tel: 020 3911 7936 E-mail: <a href="mailto:philip.gregory@lbbd.gov.uk">philip.gregory@lbbd.gov.uk</a>
<b>Accountable Director:</b> Philip Gregory, Finance Director (Chief Financial Officer / Section 151 Officer)	
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Acting Chief Executive	
<b>Summary</b>	
<p>The budget framework for 2021-22 is prepared in the context of unprecedented uncertainty arising from the continuing impact of the COVID-19 pandemic. The impact on the community of COVID-19 has resulted in financial pressures to the Council throughout 2020-21 which will have implications for years to come. It must, however, be recognised that the Council has worked in partnership with the local community to ensure that no resident is left behind and many links with the community have been forged and strengthened since March 2020.</p>	
<p>The Council has paid over £29m to local businesses in COVID-19 grants. To support vulnerable local residents the Council has provided additional Council Tax Support in addition to providing food deliveries and other support.</p>	
<p>The Government have had to alter the financial planning framework during the course of the year. The level of uncertainty throughout the public sector has increased in the absence of an Autumn Spending Review and the cancellation of the Budget by Government. As an interim measure another one year funding settlement has been provided for 2021-22. Specific funding changes for Local Government including the Fair Funding Review and the reset of Business Rates have been deferred until 2022-23 at the earliest. This has resulted in an extremely uncertain environment within which the budget and MTFS have been prepared.</p>	
<p>This report sets out the:</p> <ul style="list-style-type: none"><li>• Proposed General Fund revenue budget for 2021-22</li><li>• Proposed level of Council Tax for 2021-22</li><li>• Medium Term Financial Strategy (MTFS) 2021-22 to 2024-25</li><li>• Draft capital investment programme 2021-22 to 2024-25</li><li>• Update on the Dedicated Schools Grant and Local Funding Formula for Schools</li></ul>	
<p>The General Fund net budget for 2021-22 is £174.326m. The budget for 2021-22</p>	

incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by Cabinet in February 2017 and February 2018 together with changes in government grants and other financial adjustments.

The Council proposes to increase Council Tax by 4.99%. This includes 1.99% for general spending and a further 3% that is specifically ringfenced as an adult social care precept. This will increase the level of Council Tax from £1,284.80 to £1,348.91, (£64.11) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £31.59 (9.5%) for a Band D property, changing the charge from £332.07 to £363.66; of this £15.00 relates to the Police Precept, £1.59 for the London Fire Brigade and £15 as a contribution towards the cost of discretionary concessionary fares.

The combined amount payable for a Band D property will therefore be £1,712.57 for 2021-22, compared to £1,616.87 in 2020-21. This is a total change of £95.70. At its meeting on 27 January 2021, the Assembly agreed an enhanced Council Tax Support Scheme in order to continue to support local residents on very low incomes.

The proposed draft 4-year capital programme is £1,483m for 2021-22 to 2024-25, including £96.805m for General Fund schemes. Details of the schemes included in the draft capital programme for 2021-22 are at Appendix F.

This report was considered and endorsed by the Cabinet at its meeting on 15 February 2021.

### **Recommendation(s)**

The Assembly is recommended to:

- (i) Approve a base revenue budget for 2021-22 of £174.326m, as detailed in Appendix A to the report;
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2021-22 to 2024-25 allowing for other known pressures and risks at the current time, as detailed in Appendix B to the report, including the revised cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;
- (iii) Note the observations made by the Overview and Scrutiny Committee at its meeting on 26 January 2021 in respect of the Cabinet's savings and growth proposals for 2021/22 and beyond and the outcome of the public consultation on the budget proposals, as set out in section 14 of the report;
- (iv) Approve the budget savings and growth proposals for 2021/22 and beyond, as detailed in section 8 and Appendix C to the report;
- (v) Delegate authority to the Chief Financial 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 2021-22 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2021;

- (vi) Approve the Statutory Budget Determination for 2021-22 as set out at Appendix D to the report, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, an Adult Social Care precept of 3.00% and the final Council Tax proposed by the Greater London Assembly (9.5% increase), as detailed in Appendix E to the report;
- (vii) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 8-10 of the report;
- (viii) Approve the Council's draft Capital Programme for 2021-22 totalling £399.105m, of which £30.845m are General Fund schemes, as detailed in Appendix F to the report;
- (ix) Approve the Flexible Use of Capital Receipts Strategy as set out in Appendix G to the report;
- (x) Note the update on Dedicated Schools Funding and approve the Local Funding Formula factors as set out in section 13 and Appendix H to the report; and
- (xi) Note the Chief Financial Officer's Statutory Finance Report as set out in section 15 of the report, which includes a recommended minimum level of reserves of £12m.

**Reason(s)**

The setting of a robust and balanced budget for 2021-22 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: no-one left behind and delivery of the priorities within available resources.

**1. Introduction and Background**

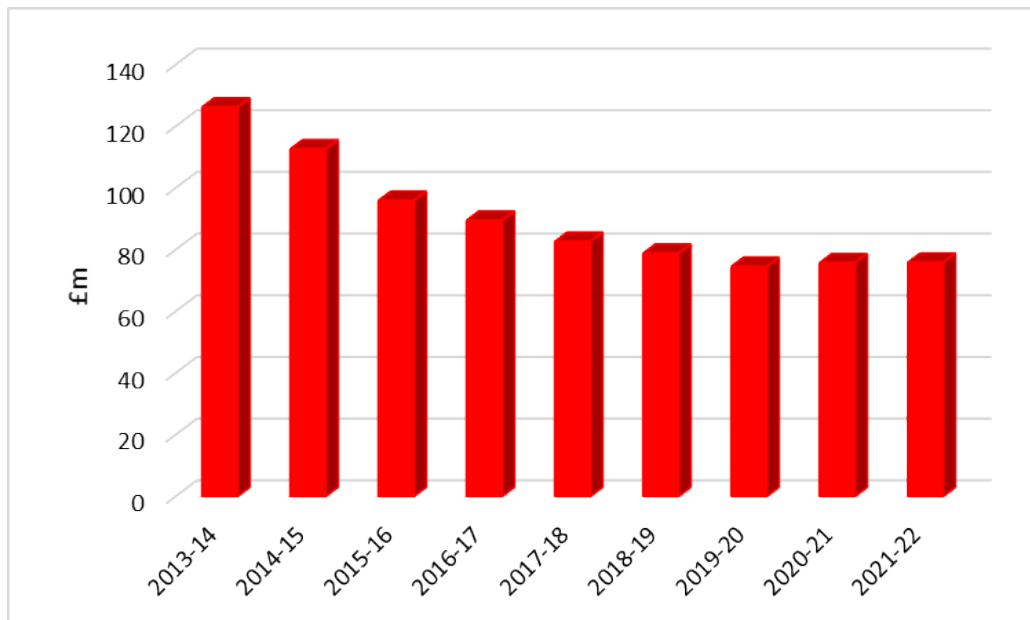
- 1.1. This report sets the context for the future financial position for the London Borough of Barking and Dagenham and to seek agreement to proposals for the revenue budget for 2021-22 of £174.326m. The report also sets out the Medium Term Financial Strategy (MTFS) for 2021-22 to 2024-25 and the Council Tax level for 2021-22.
- 1.2. The MTFS is a statement on the council's approach to the management of its financial resources to meet its Corporate Priorities. The MTFS also considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks.
- 1.3. 2020-21 was the fourth and final year of the original Ambition 2020 savings and transformation programme. The total programme savings target was £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019-20 and £12.696m was due to be delivered in 2020-21.
- 1.4. In July 2020, Cabinet approved an updated MTFS for 2020-21 including an

indicative forward forecast for future years. This identified a cumulative savings gap of £39.6m during the MTFs period from 2021-22.

- 1.5. The COVID-19 pandemic has continued to have a profound and unprecedented impact on the activity and finances of the Council. The pandemic has resulted in three major financial effects on the Council's financial position:
  - Additional costs
  - Income loss
  - Agreed savings at risk
- 1.6. The cost to the Council of the COVID-19 response is significant and the impact on the MTFs is unlikely to be contained to 2020-21 and will affect many years to come.
- 1.7. The wider context within which this Budget and MTFs has been prepared is one of unprecedented uncertainty. The financial sustainability of the whole of Local Government has been tested like never before in the response to the COVID-19 pandemic. This Council has stepped up to provide support to the most vulnerable members of the community as they have shielded from COVID-19 whilst still continuing to deliver a full range of services to our residents and businesses.
- 1.8. There have been significant cuts over a number of years to revenue support grant from the Ministry of Housing, Communities and Local Government (MHCLG) which, combined with increasing demographic and demand led pressures and the cost of the COVID-19 response, result in the need to identify savings and transformation proposals to deliver a sustainable MTFs. The 2021-22 Budget includes a number of savings and growth proposals.
- 1.9. The fair funding reforms and 75% business rates retention proposals are expected to be a benefit the council when introduced. These reforms were due to be introduced in 2020-21 following the four-year funding settlement. These reforms have now been delayed until 2022-23 at the earliest. The council has therefore lost the financial benefit from these reforms in 2020-21 and 2021-22 resulting in a wider savings gap in these financial years.
- 1.10. The Spending Review, published by Government in November 2020, provided a single year financial framework for 2021-22 only. The absence of a financial framework over a number of years significantly hampers the ability of the Council to assess the robustness of the MTFs beyond a one-year time frame, thereby increasing the uncertainty of financial projections from 2022-23 onwards.
- 1.11. The approach of the Council continues to be to invest in the borough to generate growth and prosperity, while redesigning and transforming council services to meet the needs of the community at a lower cost.

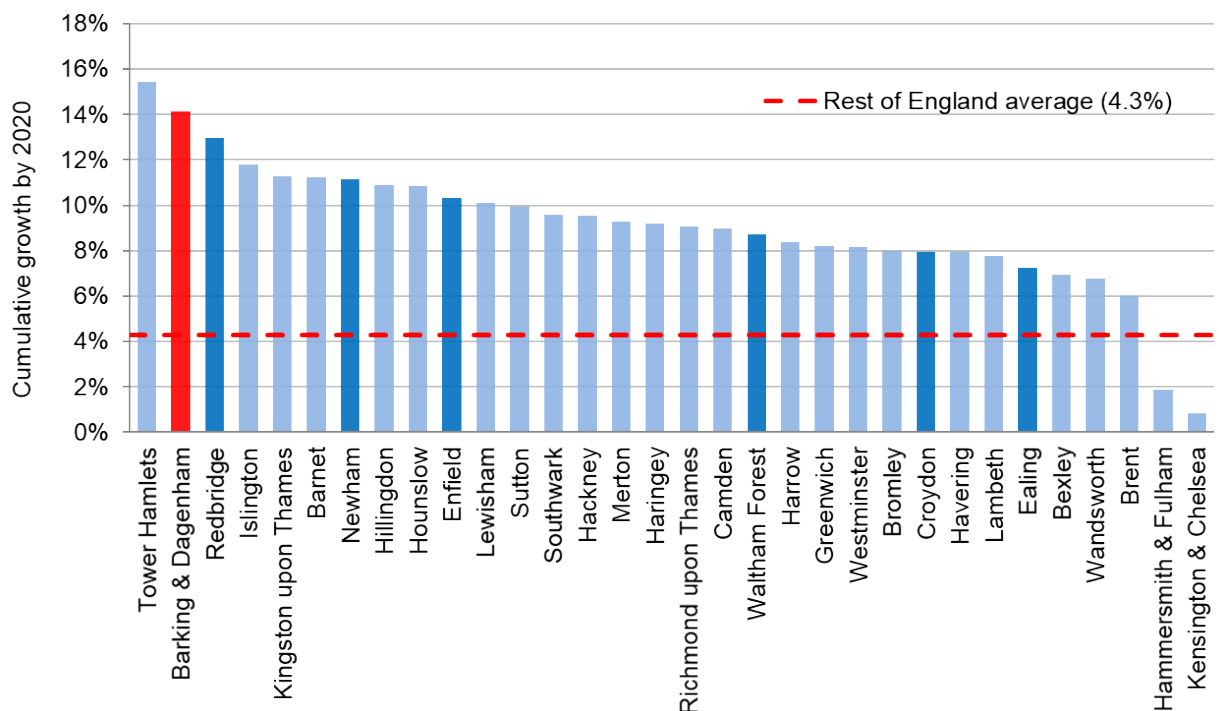
## **2. Medium Term Financial Strategy**

- 2.1. The funding the Council receives from government has consistently reduced since public sector austerity was introduced in 2010-11. In 2013-14 local government were allocated a share of business rates from their area. Since 2013-14 government grants have reduced by over 40%. In 2013-14 our grant was £126m, in 2021-22 our grant will be £76m.



Government grant funding 2013-14 to 2021-22

2.2. Barking and Dagenham also has seen the second highest population growth in London during the same time period and almost 10% higher than the average English local authority. Our residents tend to be younger than the average in other London boroughs and many of our residents face a range of challenges and disadvantages that mean that they may need help and support from the Council at some point.

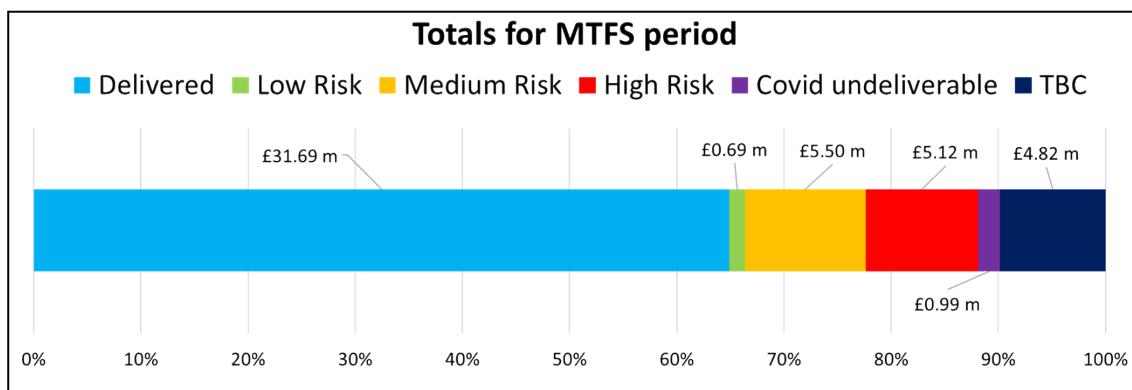


London Population growth 2013-2020

2.3. The combination of reducing funding and a growing population meant the Council had to do something in order to be able to continue to provide services to local residents and businesses. The Ambition 2020 programme began in 2017 and will deliver a New Kind of Council whilst delivering almost £50m in savings. A primary

focus of the programme was to maximise housing, business and economic growth within the borough.

- 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 Appendix G.
- 2.5. The Ambition 2020 programme identified £48.8m of savings to be delivered over the four years of the programme. The chart below summarises progress to date:

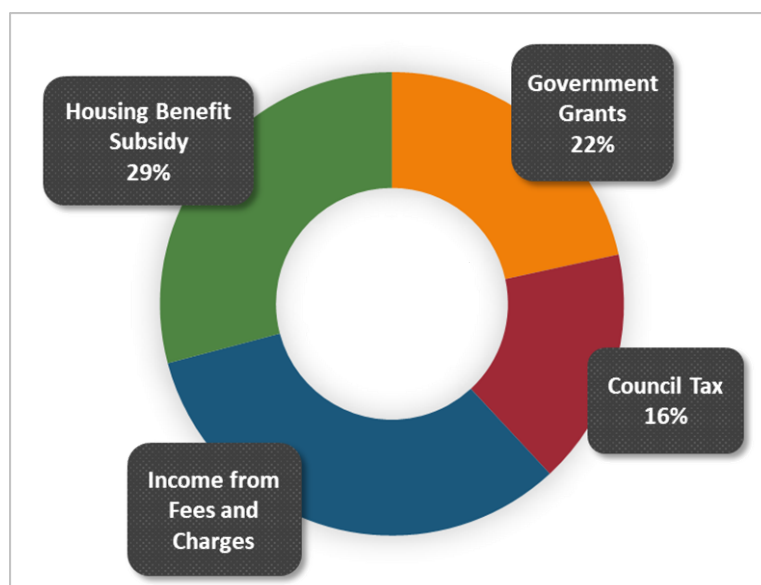


- 2.6. 2020-21 is the fourth and final year of the original Ambition 2020 savings and transformation programme. The total savings for the programme is £48.8m of which £36.129m was originally profiled as to be delivered by the end of 2019-20 and £12.696m was due to be delivered in 2020-21.
- 2.7. The total delivered so far is £31.69m leaving £17.11m so far undelivered, of which £12.7m was planned to be delivered in 2020-21. The total savings yet to be delivered in 2020-21 were already high risk even before the COVID-19 situation arose and the response to the pandemic has considerably worsened the situation. A small number of savings have been assessed as impossible to deliver but may be possible to reinstate in future years. In addition, there are a large number of savings where the original plans have been delayed or are much more difficult/high risk than first anticipated.
- 2.8. The progress of the delivery of approved savings is reported in the regular budget monitoring reports to Cabinet. Any savings that are not delivered in full will result in an overspend and an increased drawdown on reserves.
- 2.9. Delivering agreed savings is essential to deliver a balanced budget for 2021-22 and beyond. Where agreed proposals are deemed to be unachievable these should be replaced with alternative proposals by the service responsible, subject to Cabinet approval.
- 2.10. We have continued to invest in our services by focusing our resources to meet the needs of the community and deliver the priorities set out in the Corporate Plan. Our Borough Manifesto has 11 aspirations which form the long-term vision for the Borough:

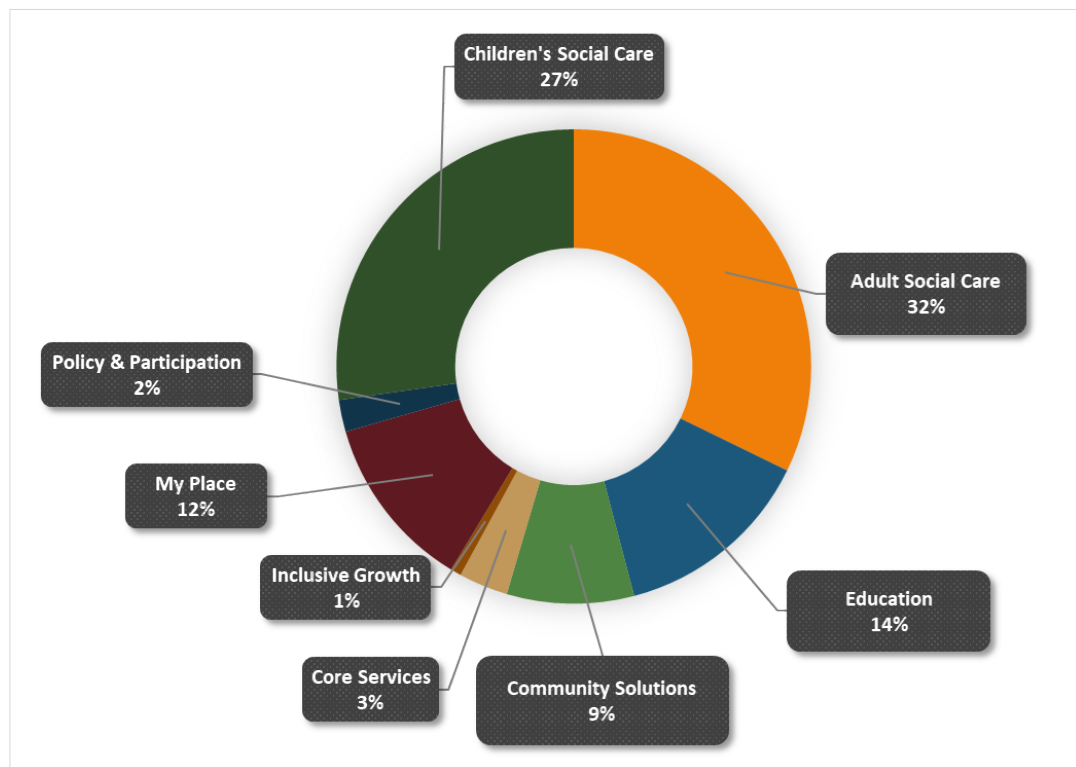


2.11. Over the course of many years the focus of the MTFs has been to deliver a transformed Council whilst maintain our financial sustainability. Over £175m of savings have been delivered since 2010. We have carefully set aside money into reserves and used these when necessary. This careful and prudent approach to financial management has enabled the Council to be in a position to meet the cost to the Council of COVID, which is set out in more detail in section 3 of this report.

2.12. Funding for the Council largely comes from the following sources:



2.13. Our budget allocates funds to services in the proportions set out below. 73% of our budget is spent on Social Care and Education.



2.14. The continued aim of the Council is to prioritise investment in services for the most vulnerable in a sustainable way. The Council takes an innovative approach to the way it delivers services and the way it finances these through the development of its investment and acquisition strategy.

### 3. COVID-19 Pandemic

3.1. The COVID-19 pandemic has continued to have a profound and unprecedented impact on the activity and finances of the council. The pandemic has resulted in three major financial effects on the council's financial position:

- Additional costs
- Income loss
- Agreed savings at risk

3.2. The cost to the Council of the COVID-19 pandemic response at the time of writing is estimated to be £55.3m in 2020-21. Government have provided emergency grant funding (un-ringfenced and ringfenced) of £28.2m and an income loss guarantee scheme with an expected benefit of £5.5m in addition to NHS funding of £0.9m leaving a residual cost pressure to the Council of £20.7m. If council tax and business rates income losses of £9.6m are excluded the pressure on the general fund is £11.1m (council tax and business rates losses are accounted for within the Collection Fund where deficits are accounted for in future financial years). The £11.1m cost pressure is equivalent to a £50 charge to every resident in the borough. The council can manage this cost pressure of £11.1m by utilising reserve balances.



- 3.3. COVID-19 is driving greater demand for particular services and consequently increases in costs. Anticipated latent demand is expected to emerge in some Care and Support services as lockdown and shielding restrictions ease, e.g. domiciliary care in Adults and LAC support in Children's.
- 3.4. In addition, costs that are not yet quantified may arise and these maybe dependant on the actions that partner organisations take or avoid which results in increased costs for the council. We work closely with partner organisations to ensure that our plans do not cause each other unintended financial consequences.
- 3.5. There are a number of savings proposals that were agreed and built into the 2020-21 budget. Some of these savings proposals are unable to be delivered whilst the council is focused on the pandemic response. Where these savings are not achieved, they will be funded from reserves as described above and the planned saving achieved in 2021-22.
- 3.6. The number of residents claiming Council Tax Support has increased due to the economic effects of COVID-19 during 2020-21 reversing the declining trend over a number of years. This has resulted in the Council Tax base reducing and further detail is included in paragraph 6.4 of this report.
- 3.7. The council has provided grant funding to businesses during 2020-21 of over £29m through 13 different grant schemes. The Revenues and Benefits team have worked incredibly hard to ensure that businesses receive the grants that are available to them in a timely way. In addition, officers have worked to safeguard public funds identifying ineligible and fraudulent claims.
- 3.8. COVID-19 has had a devastating effect on some of our most vulnerable residents. The Council has responded to this need by utilising the strength and breadth of its services that have been developed in the New Kind of Council. Unique and unprecedented needs have emerged and some of the highlights of the Council response are:
  - The Council mobilised the community throughout the pandemic through BD\_CAN to provide emergency support to over 2,000 households.
  - The Homes and Money Hub have provided advice to over 1,750 residents, maximising their income by over £430k.
  - The Council have provided hardship funding to over 400 households for help with emergency supplies including food, fuel and clothing.
  - The Council operated four community food hubs, visited by over 3,500 residents.
  - Supported Care Homes in the borough with emergency PPE supplies.
  - Delivered community events including the online 'One Borough, One Love' festival, Black History Month event and 3-Style Friday dance battles to name a few.
  - Delivered thousands of holiday activity kits for children over Christmas.
- 3.9. However, the pandemic has not stopped the activity of the Council. We have continued to deliver the priorities set out in the Corporate Plan demonstrating the opportunities available and ensuring we remain focused on 'no one left behind'. Some of the achievements of 2020-21 are:

- Secured the development of Dagenham East Studios creating up to 1,200 jobs.
- Supported local businesses to create over 100 Kickstart training opportunities.
- Over 1,050 new affordable homes have been built since May 2018, with over 2,700 by 2023.
- New specialist housing for residents with Autistic Spectrum Disorder (ASD) approved.
- Delivered over 300 Cosy Homes projects with 160 more booked in.
- Launched the Domestic Abuse Commission.
- The Thames Clipper is coming to Barking Riverside.
- Detected 178 frauds with a total value of £1.4 million.
- Over 30,000 new trees have been planted in the 'Forest of Thanks'.

3.10. There will inevitably be additional costs that will continue beyond 2020-21 due to the extended nature of lockdown through winter 2020-21. The impact of the continued lockdown will continue to be closely monitored and these assumptions may need to be revised, for example to take in to account the effect of a wave of the COVID-19 virus in winter 2021-22 or a significant change in behaviour within the community. In recognition of the ongoing nature of the pandemic the Government have provided further support. A grant of £7.694m has been provided in 2021-22 and the income guarantee scheme for fees and charges will continue for at least the first quarter of 2021-22.

#### 4. Three strategic priorities

4.1 The MTFs is underpinned by three key strategic priorities for the council:

- **Inclusive Growth.** All activity related to homes, jobs, place and environment will be organised into a single strategy, focused on intervening in our economy in order to improve economic outcomes for all residents.
- **Prevention, independence and resilience.** All activity relating to people facing public service is organised into a single strategy, focused on intervening in society in order to improve health and wellbeing outcomes for all residents, at every stage of life.
- **Participation & engagement.** All activity related to community engagement and social infrastructure is organised into a single strategy focused on giving every resident the power to influence local decisions, and to pursue their version of the good life.

4.2. These strategic priorities will sit alongside our continued efforts to build and embed our **new kind of council** and will drive all council activity in the years ahead. Critically, each has an important part to play in managing future demand on council services. The financial position set out in the MTFs is designed to reflect this position.

## 5. **Headline Financial Position**

- 5.1. The Provisional Local Government Settlement was published on 17 December 2020. This is subject to the finalisation of business rates baseline and section 31 grant calculations.
- 5.2. The medium-term financial challenge facing the Council reflects significant risks and a great deal of uncertainty. The scale of these risks will become more certain during the next year, following the Government's Budget and the subsequent Spending Review.
- 5.3. Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:
- **Budget 2021** – The Chancellor of the Exchequer has announced that the Budget will be published on 3 March 2020. There is significant uncertainty in relation to local government funding beyond 2021-22 and the Budget will be the first opportunity to see the direction that the Government will take in response to the COVID-19 pandemic.
  - The **Fair Funding Review** of local government is likely to shift resources away from London. The design of new funding formula is predicated on moving to a more dynamic, realistic method of allocating funding that is able to respond to demographic changes. On this basis and considering the demographic changes within Barking and Dagenham, this approach may prove beneficial to us. The implementation of the new funding formula to be used to allocate funding has been delayed until at least 2022-23.
  - The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2022-23.
  - The **New Homes Bonus** funding for 2021-22 is allocated for one year only and will not result in legacy payments in future years. It is expected that the New Homes Bonus funding will be wrapped up within the Fair Funding Review. It is unclear how the Government will incentivise local authorities to deliver additional housing within the new funding regime. Funding allocations are included in Appendix J.
- 5.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2021-22. The total amounts should be compared and are in line with the MTFP assumptions. The table below shows the funding changes over the past few years and the increased reliance on business rates as a source of funding.

£m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
RSG	36.7	28.8	0.0*	0.0*	18.0	18.1
Baseline funding	52.8	53.9	78.8	74.5	57.7	57.7
<b>TOTAL:</b>	<b>89.5</b>	<b>82.6</b>	<b>78.8</b>	<b>74.5</b>	<b>75.7</b>	<b>75.8</b>

\* In 2018-19 and 2019-20 Revenue Support Grant was rolled into the baseline funding allocation as part of the business rates pilot arrangements.

- 5.5. The Council took part in the London-wide business rates pilot introduced in 2018-19. Initially, the pilot allowed London to benefit from retaining 100% of the business rate growth but this was reduced for 2019-20 to 75%. It had been assumed that the pilot would be further extended into 2020-21 however, the Government announced that they are terminating the London pilot after 2019-20 and suggested that London Authorities form a business rates pool.
- 5.6. London Councils worked with all London Authorities to set up a business rates pool based on the original business rates retention scheme in 2017-18, retaining 67% of business rates. Cabinet approved the Council's participation in the London pool in December 2019. The pool shared the benefits of business rates growth across London during 2020-21. The net benefit of the scheme during 2020-21 became marginal as a result of the impact of COVID-19 on business rates across London.
- 5.7. The business rates pool will not operate in 2021-22 due to the financial exposure across London should business rates income fall further as a result of COVID-19. A request to government to underwrite safety net funding for the business rates pool in 2021-22 was made by London Councils on behalf of London Authorities. This request did not receive a response so the pool will be terminated from 31 March 2021. This is particularly unfortunate as the pilot and subsequent pool demonstrated that London Authorities are able to work together and deliver strategic infrastructure for the benefit of London overall.
- 5.8. The forecast for business rate over the MTFS period is shown below.

<b>Business Rates Forecast</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Baseline Business Rates Funding (incl. S31 Grant)	61.567	58.314	59.471	60.821
RSG	18.119	18.122	18.485	18.854
Change to Baseline (Fair Funding)	-	0.652	1.513	1.513
<b>NET Business Rates</b>	<b>79.686</b>	<b>77.088</b>	<b>79.468</b>	<b>81.188</b>

- 5.9. It should also be noted that the business rates "tariff and top up" levels have been reset. This means that the benefit of previous growth is now included in baseline funding and slightly increases the level of collection risk.
- 5.10. The forecast outturn for 2020-21 is an overspend of £9.9m as reported to Cabinet in January 2021. This can be mitigated through use of the budget support reserve though this would exhaust this reserve. Overspends in future years will result in draw down from the unearmarked general reserve which has a balance of £17m and a minimum balance of £12m (i.e. only £5m is available).

## **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 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 provisional Local Government Financial Settlement for 2021-22 sets a maximum increase of Council Tax of 1.99% without incurring any penalties or being required to hold a referendum. It is therefore proposed that the general council tax increase should be 1.99%. In addition, an Adult Social Care precept may be levied of up to 3.0%.
- 6.4. The Council tax base report was approved by Cabinet in January 2021. This shows a decrease in the Council tax base of 0.4% compared to an increase of 1.5% that was included in the MTFs. Due to Covid-19 the Council has seen an increase in the number of residents claiming Council Tax Support (CTS) which reduces the number of chargeable properties in the tax base. This represents a reduction in Council Tax income of £1.316m compared to the amount included in the MTFs (the increase in the tax base that will not be realised plus the reduction in actual tax base).
- 6.5. The Government include an estimate of Council Tax income in their Core Spending Power (CSP) assessment of the Council as part of the provisional Local Government Financial Settlement, this is £71.051m for 2021-22. The CSP calculation assumes a 2.9% increase in tax base and a 4.99% increase in Council Tax. In this scenario Council Tax income increases by £1.981m compared to the £1.040 included in the MTFs. The CSP tax base is what the government assume the council will raise from Council Tax which is £2.257m higher than the actual tax base.

	Tax base in MTFs	Actual Tax base	CSP Tax Base
2020-21	51,204.07	51,204.07	51,204.07
2021-22	51,972.13	50,995.71	52,672.93
Variance	786.06	-208.36	1468.86
Value of Variance	*£1,040,130	*(£275,706)	**£1,981,359

\* assumed increase in Council Tax in MTFs of 2.99% (£1,323.22) for 2021-22

\*\* CSP assumed increase in Council Tax of 4.99% (£1,348.91) for 2021-22

- 6.6. The Government has provided a grant of £2.022m for 2021-22 to cover the reduction in Council Tax base due to the increase in CTS claimants as a result of COVID-19.
- 6.7. If the number of CTS claimants doesn't decrease after COVID-19, this will represent a permanent reduction in Council Tax in future years and a permanent reduction in the spending power of the Council.
- 6.8. Details of all the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2021-22 are yet to be confirmed.
- 6.9. It is proposed that authority is delegated to the Chief Financial Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.
- 6.10. The Council proposes to increase Council Tax by:

- 1.99% Local Authority Precept increase; and
- 3.0% increase for the Adult Social Care Precept

- 6.11. These increases will raise the level of Council Tax for a Band D property from £1,284.80 to £1,348.91, an increase of £64.11.
- 6.12. The Greater London Authority has provisionally proposed a 9.5% increase in its charge for 2020/21. This precept will increase the charge to a Band D property from £332.07 to £363.66, an increase of £31.59 (comprising an additional £15 for the Metropolitan Police, £1.59 for the London Fire Brigade and £15 as a contribution towards the cost of discretionary concessionary fares).
- 6.13. The combined amount payable for a Band D property will therefore be £1,712.57 for 2021-22, compared to £1,616.87 in 2020-21. This is a total change of £95.70 in comparison to the Council Tax bill for 2020-21. As always there will be a Council Tax Support Scheme to help the poorest taxpayers.
- 6.14. The calculation of the proposed Council Tax for 2020/21 is shown in Appendix E.
- 6.15. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.
- 6.16. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.

## 7. Medium Term Financial Strategy Forecasts

- 7.1. Reports to Cabinet in July and November 2020 set out the following financial forecasts over the medium term:

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Budget Gap (incremental)	7.497	6.320	6.132	(0.614)
Budget Gap (cumulative)	7.497	13.817	19.949	19.335

- 7.2. A review of the assumptions has been undertaken and the financial forecast has been updated as shown in the table below.

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Budget Gap (incremental)	-	6.525	7.567	7.117
Budget Gap (cumulative)	-	6.525	14.092	21.209

- 7.3. The MTFs set out in Appendix B shows a balanced budget. This is achieved through the prudent use of reserves and increased investment income as a result of a change in accounting policy. The cumulative spending gap has not materially altered, though the requirement for further savings during the MTFs period is significant.
- 7.4. The strategy to address the funding gap is through the following routes:

- Savings proposals: those that have been identified and those that are proposed for approval in this report.
- Delivery of the corporate plan priorities and agreed transformation programmes to deliver sustainability in the longer term.
- Continue to identify new investment opportunities to secure financial sustainability and deliver regeneration for the borough.

7.5. A summary of the savings and growth proposals is included in Appendix C.

## 8. Revenue Spending Proposals

8.1. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2020-21 and 2021-22 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix D.

### Summary of Revenue Budgets:

Department	Original 20-21	Latest 20-21	Original 21-22
CARE & SUPPORT	82.757	84.521	94.779
CENTRAL	4.792	8.213	9.684
COMMUNITY SOLUTIONS	12.935	16.621	17.218
CONTRACTED SERVICES	0.794	(0.136)	0.00
CORE	4.862	5.128	6.726
EDUCATION, YOUTH & CHILDCARE	20.928	21.038	18.581
INCLUSIVE GROWTH	1.117	1.114	1.305
LAW, GOVERNANCE & HR	(0.588)	(1.137)	(1.386)
MY PLACE	17.844	17.661	15.094
POLICY & PARTICIPATION	3.303	2.947	3.247
SDI COMMISSIONING	7.052	8.907	9.078
<b>TOTAL GENERAL FUND</b>	<b>155.796</b>	<b>164.876</b>	<b>174.326</b>
BUSINESS RATES + S31	(80.608)	(80.608)	(80.593)
C/F	(1.745)	(1.745)	2.663
NON-RINGFENCED GRANTS	(7.656)	(7.656)	(10.947)
COMPANY DIVIDENDS	-	(8.318)	(12.490)
INVESTMENT INCOME	-	(0.762)	(5.712)
NHB	-	-	1.543
<b>COUNCIL TAX REQUIREMENT</b>	<b>65.787</b>	<b>65.787</b>	<b>68.789</b>

- 8.2. The 2021-22 budget is dependent on agreed savings and additional income being delivered totalling £2.641m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Proposal	2021-22 £k
Education, Youth & Childcare	Staffing changes – transfer to DSG	(42)
Community Solutions	John Smith House retention	(30)
Community Solutions	Management spans of control	(37)
Community Solutions	Housing Benefits FTE (Support)	(110)
Community Solutions	Reduce staffing in Housing Reviews, Culture/Comms (service development)	(94)
Community Solutions	Improving Debt Collection	(388)
Customer Services	Contact Centre Restructure	(561)
LGHR – Regulatory Services	Additional Fine Revenue	(100)
LGHR – Regulatory Services	Financial Investigation Income	(45)
LGHR – Regulatory Services	Barking Market additional day	(80)
LGHR – Parking Services	Additional on-street PCN income	(150)
LGHR – Parking Services	Additional CCTV PCN income	(150)
LGHR – Parking Services	Additional Permit Income	(100)
Policy and Participation	Staffing – Culture & Communications	(55)
Inclusive Growth/Community Solutions	Barking Foyer	(250)
Workforce & OD	Service Restructure – additional income	(137)
Core Services	Dispersed Working	(312)
<b>TOTAL</b>		<b>(2,641)</b>

- 8.3. It remains vitally important that all approved savings are delivered to plan. Directors must be focussed on managing expenditure within their service budgets and delivering all agreed savings or implementing alternative savings proposals. This includes implementing action plans in order to manage and mitigate expenditure pressures.

- 8.4. The 2021-22 budget also includes new budget growth proposals totalling £5.723m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Proposal	2021-22 £k
Care and Support	Adults Services Net Revenue Pressures	194
Care and Support	Disabilities Net Revenue Pressures	1,828
Care and Support	Children’s Net Revenue Pressures	1,400
Community Solutions	Homelessness Prevention & Temporary Accommodation	280
Community Solutions	Revenues & Benefits Transformation	300
Community Solutions	Local Community Banking Service	100
Customer Services	Create a Customer Experience Team	559
Inclusive Growth	Economic Development Team	200



Service Area	Proposal	2021-22 £k
Legal Services	Counter Fraud	60
Finance	Counter Fraud	99
Finance	Transformation Review of Structure	150
Workforce & OD	Transformation Review of Structure	373
ICT	Cyber Security	180
<b>TOTAL</b>		<b>5,723</b>

- 8.5. The existing MTFS includes the following budget growth totalling £11.704m. These are summarised below with a full description and any future year impact shown in Appendix B.

Service Area	Approved Growth	2021-22 £k
Care and Support	Adults Services Revenue Pressures	(685)
Care and Support	Disabilities Revenue Pressures	4,992
Care and Support	Children's Revenue Pressures	3,629
Community Solutions	TA Inflationary Pressures	260
Participation and Engagement	Participation & Engagement Structure Costs	(110)
Participation and Engagement	Census Information Scheme	18
Parks	Income Shortfall Pressure	600
Council-wide	Staff Pay Award	2,000
Council-wide	Non-staff inflation	1,000
<b>TOTAL</b>		<b>11,704</b>

- 8.6. The net impact of savings and growth (proposed and approved) is shown in the table below. These values have been included in the MTFS.

£'000	2021-22	2022-23	2023-24	2024-25
New Savings	(2,641)	(0,900)	(1,227)	-
New Growth	5,723	(4,333)	(1,468)	-
<b>SUBTOTAL</b>	<b>3,082</b>	<b>(3,433)</b>	<b>(2,695)</b>	-
Approved Savings	-	-	-	-
Approved Growth	11,704	11,652	12,570	12,202
<b>NET BUDGET CHANGE</b>	<b>14,787</b>	<b>6,419</b>	<b>9,875</b>	<b>12,202</b>

- 8.7. Included within the MTFP is income from dividends and investment activity from subsidiary companies. The income targets currently in the MTFS are shown in the table below.

£million	2020-21	2021-22	2022-23	2023-24	2024-25
Be First	4.733	10.390	10.895	10.707	10.707
BDTP	1.225	2.100	2.100	2.100	2.100
<b>TOTAL INCOME TARGET</b>	<b>5.958</b>	<b>12.490</b>	<b>12.995</b>	<b>12.807</b>	<b>12.807</b>

- 8.8. The Council is reliant on the subsidiary companies delivering the expected dividend payments in the relevant financial year. There is a significant risk to the MTFP if these dividends are not delivered.
- 8.9. The MTFP also includes the expectation of a return of £5m from the Investment Strategy and £0.7m from further commercial activity (Hotel scheme) which increases the level of commercial risk. The MTFP is included in Appendix B.

## **9. Current Service Updates**

- 9.1. **Children's Care and Support** – The relatively young demographic make up of our borough and the multiple challenges faced by some of our residents means that supporting our most vulnerable children and families remains our largest area of expenditure. In 2019-20 the Council spent around £40m on Care and Support for vulnerable children and the level of spending has increased by a further £3m during the current financial year. The impact of COVID-19 has meant that additional social workers have been needed in order to ensure children are protected from harm and there has also been an increase in the numbers of specialist placements required – especially for very vulnerable adolescents and also mother and baby placements. These needs are expected to persist into next year and the number of children and adolescents in the borough is continuing to grow year on year. The service has identified a number of efficiency improvements and commissioning savings as a contribution to meeting these pressures. Each individual initiative is small but this will contribute £0.8k and the Council is increasing the budget allocated to the service by £5.3m in order to fund the net growth. This is in addition to substantial budget growth provided in 2020-21.
- 9.2. **Disabilities Care and Support** - The continuing improvements in medical care and life expectancy together with our growing population mean that there are increasing numbers of people living with severe and complex disabilities in our borough and children with significant special educational needs. The recent review of the service and development of the Disabilities Improvement Programme identified the need for significant investment in assessment, support and prevention especially for children and young people. We have recognised these needs by allocating £6.8m of growth funding to this service. This is partly funded from the Care and Support grants from Central Government and partly from the Council's own resources including Council tax.
- 9.3. **Adults' Social Care** – significant budget growth was provided for Adult services in 2020-21. This has allowed us to meet the needs of vulnerable Older People and the increasing numbers of residents with mental health needs. We will maintain this level of investment in 2021-22.
- 9.4. **Community Solutions** - Community Solutions supports residents facing challenges such as unemployment or homelessness as well as providing advice and support and universal services such as libraries for all. During the epidemic and lockdown it has had a particularly important role. Some additional funding of £0.54m has been provided to meet inflationary costs and increased demand on temporary accommodation. The service will continue to find more efficient delivery methods and so will achieve £0.27m savings in office costs and management. In addition, it is proposed to improve debt collection. This will be a small net cost in 2021-22 but will deliver reduced debt levels in future years.

- 9.5. **My Place** - My Place is the Council's asset management service. It will continue to support delivery of the Council's capital programme and look after the Public Realm. There are no changes to this budget in 2021-22 but the service will need to work on achieving savings deferred from the previous year as a result of COVID-19.
- 9.6. **Enforcement**- This service has played a vital role in the lockdown and will continue to do so into 2021-22. However, when normal business does return it is expected to bring in additional income from a mixture of fines and commercial income and potential additional markets activity. An increase in Parking income is also expected.
- 9.7. **Core Support Services** – During the 2020-21 financial year the borough's joint venture with Elevate was wound up and services such as ICT, income collection, procurement and customer services were brought back into the Council. The budgets for these services will be realigned allowing full achievement of the £4.2m saving in the 2020-21. Services such as Finance, HR and ICT provided from the Corporate Centre have been reviewed and will be increased to reflect the increased range of services they are supporting. However, they will still remain extremely lean in comparison with other London Boroughs.
- 9.8. **Customer Services and Digital** - As part of the transfer back we will also review our customer services especially how we are responding to changes in technology and our customers' preferences when contacting the Council. We expect this to achieve £0.56m of savings while improving the customer experience. This is a saving that had been written into the 2020-21 budget and delayed by COVID-19.

## 10. Investment Strategy

- 10.1. The Council continues to put our balance sheet to work. We are continuing to leverage our assets to generate financial returns to the Council and provide benefits for the community.
- 10.2. The Council has pursued an ambitious programme of investment. The target return included in the MTFS is £5.7m in 2021-22. This is dependent on investments delivering the expected return on time as outlined in business plans that have been agreed already. The cumulative General Fund borrowing total is expected to reach £836m in 2020-21, growing to £1,396m in 2021-22. Work is ongoing to ensure that the cost of financing the borrowing requirement is managed carefully in order to meet the target return in each year of the MTFS.
- 10.3. Further detail on the Investment Strategy can be found in the Treasury Management Strategy Statement also on this meeting's agenda.

## 11. Capital Programme

- 11.1. The Council's current General Fund capital programme for 2020-21 is £40.216m for Services and transformation and £278.300m for the Investment strategy. The largest element of the Services programme is Schools/Education which is largely grant funded by the Department of Education.
- 11.2. The Council's Indicative General Fund Capital Programme 2021/22 to 2023/24 is

set out below. A more detailed breakdown of the 2021-22 programme is set out in Appendix F.

Capital Expenditure	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
<b>General Fund</b>				
Adults Care & Support	996	2,026	1,841	-
Community Solutions	187	-	-	-
CIL / S106	743	1,198	-	-
Core	1,339	-	-	-
Culture, Heritage & Recreation	1,426	7,088	466	150
Enforcement	937	1,766	1,000	-
Transport for London schemes	1,538	-	-	-
My Place	4,678	6,101	4,850	4,850
Public Realm	3,391	50	-	-
Education, Youth and Childcare	20,205	12,200	4,422	6,400
Other	1,999	416	340	340
Transformation	2,777	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>40,216</b>	<b>30,845</b>	<b>12,919</b>	<b>11,740</b>
<b>Financed by:</b>				
Capital Grants	- 23,812	- 18,832	- 6,262	- 6,400
CIL/S106	- 2,162	- 2,420	- 155	-
Revenue Contributions	-	- 88	-	-
Capital Receipts	- 2,777	-	-	-
<b>Total Net Borrowing Requirement</b>	<b>11,465</b>	<b>9,505</b>	<b>6,502</b>	<b>5,340</b>
<b>Investment and Acquisition Strategy (net costs)</b>				
Committed Funding Requirement	271,845	368,260	351,152	140,106
Potential Funding Requirements	6,455	194,663	151,548	180,296
<b>Total Net Borrowing Requirement</b>	<b>278,300</b>	<b>562,923</b>	<b>502,700</b>	<b>320,402</b>
<b>Net financing need for the year</b>				
	<b>289,765</b>	<b>572,428</b>	<b>509,202</b>	<b>325,742</b>

- 11.3. The budgets are indicative and may change as a result of budget roll-forward from the 2020-21 financial year, for example if there has been programme slippage, if additional external funding is provided or if purchases or sales as part of the Investment and Acquisition Strategy take place. It is likely that the Schools programme will be increased in later years. Potential Funding Requirements of £194.663m are included in the table above for reference but have not been included in Appendix F as they have yet to be approved and are included to reflect the potential budget requirements over the next three years.
- 11.4. The MTFs includes provision of £450k to fund a corporate capital programme of £5m of new capital schemes (actual cost dependent on asset life and interest rate).
- 11.5. There was no bidding round for the 2021-22 capital budget for new capital schemes as internal funding available from non-ringfenced resources is already set aside for existing commitments. Non-ringfenced resources comprise prudential borrowing, capital receipts (excluding HRA right to buy receipts) and revenue contributions from either budgets or earmarked reserves. Given the current pressures on the revenue General Fund budget and the lack of previously accumulated General

Fund capital receipts, the only resource available to meet future capital demands is prudential borrowing for 2021-22, limiting any new capital schemes which are not externally funded to £5m as set out in 11.4. The commitments can be summarised as follows:

	£m
Recurring allocations (see 11.6 below)	1.3
Future year impact of 2020-21 bids (see 11.7 below)	3.7
<b>Total already committed</b>	<b>5.0</b>

11.6. As part of the 2019-20 and 2020-21 budget reports, there were two schemes which were put forward for approval as recurring amounts in the capital programme every year (approved by Cabinet in June 2019 and Feb 2020).

These are:

- £1m for urgent maintenance and health and safety works
- £340k for ward budgets

11.7. There were also a number of capital bids approved as part of the 2020-21 budget which included future year commitments against those schemes approved. These schemes total £3.7m for 2021-22 as set out below:

Scheme Name	Description	20-21 (£'000)	21-22 (£'000)	22-23 (£'000)	23-24 (£'000)	Total Cost (£'000)
<b>In Cab Technology</b>	Procuring in cab tech for waste vehicles and subsequent licences etc	110	30	65	30	<b>235</b>
<b>Highway Improvement Programme</b>	Resurface/Reconstruct Footways and Carriageways on the borough's public highway network.	2,815	3,520	3,485	3,820	<b>13,640</b>
<b>In Borough Specialist Residential Home</b>	Refurbishment of Oval Road South to provide specialist residential care for small group of severely disabled children with potential savings to Care and Education budgets	325	-	-	-	<b>325</b>
<b>Lake Enhancement Schemes</b>	Essential health & safety work and improvements to the physical environment for the lakes at Valence Park, Mayesbrook Park (south) & Eastbrookend Country Park.	150	150	150	150	<b>600</b>
	<b>TOTAL</b>	<b>3,400</b>	<b>3,700</b>	<b>3,700</b>	<b>4,000</b>	<b>14,800</b>

## 12. Flexible Use of Capital Receipts

12.1. 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 in 2021-22. Further information on the Council's approach is set out in Appendix G.

### **13. Dedicated Schools Budget and Early Years Funding**

- 13.1. The Dedicated Schools Grant is a ringfenced grant provided by the Department for Education. The allocation for 2021-22 is based on October 2020 pupil census data and the Department for Education has published the final DSG allocations for 2021-22 which is £312m (pre-recoupment i.e., inclusive of funding for academies and free schools.).
- 13.2. In December Cabinet received a report detailing the Dedicated Schools Grant (DSG) and approved the principles for setting the local funding formula for schools.
- 13.3. As set out in the December report there will be no transfers between the DSG blocks this year. However, the Schools block has been topsliced to provide sufficient funding for growth – new classes that we expect to be required for September 2021 and to create a small fund to assist schools facing temporary financial challenges as a result of falling rolls.
- 13.4. The Schools funding formula has been set in line with the principles agreed by Schools Forum and Cabinet. The national rates (adjusted for area costs) have been used for all additional needs factors but the basic age weighted funding element has been adjusted to bring the funding balance between primary and secondary phases to the agreed ratio of 1:1.35. All schools have had their pupil led funding protected to give them an increase of 2.0% per pupil. The Assembly is recommended to confirm approval of the overall principles and the consequent funding factors for the schools block, which are set out in Appendix H.
- 13.5. The Dedicated Schools Grant also provides funding for Early Years Education and Childcare for eligible two year olds (15 hours per week) and three and four years olds (fifteen or thirty hours depending on eligibility.) The provisional allocation for 2021-22 for Early Years is £23.205m but this is subject to change in line with take up of places. This allocation includes an increase in the hourly rates of 6p for three to four year olds and 8p for two year olds. It is recommended that this increase is passed through to our local providers.
- 13.6. This would increase the basic provider rate to £5.51 per hour for two year olds and £4.84 per hour for three to four year olds.

### **14. Consultation**

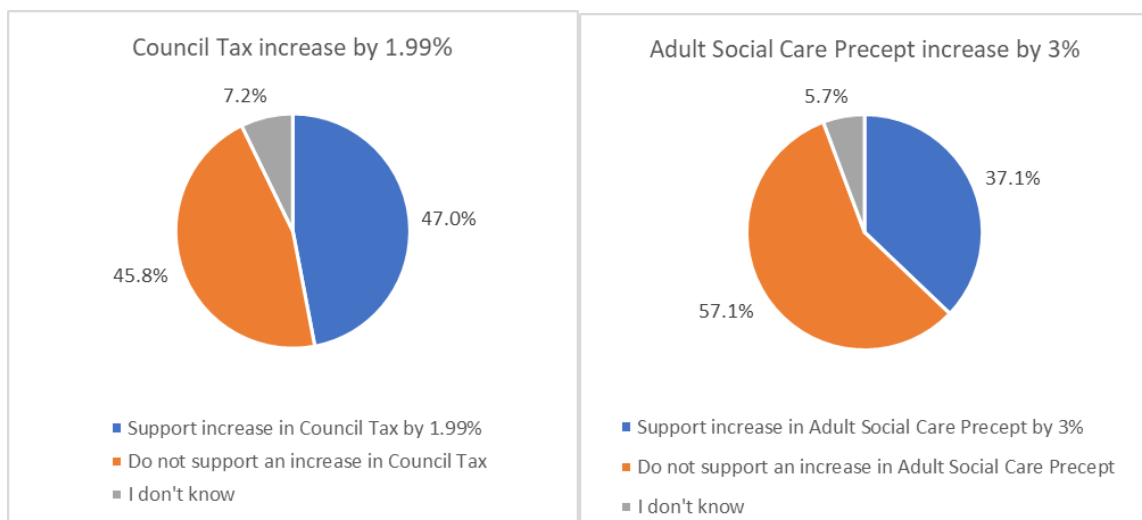
- 14.1. A report on the Budget strategy was presented to Cabinet in November 2020, updating the Committee on funding assumptions and other factors affecting the MTFS.
- 14.2. A consultation exercise on the budget with residents and businesses began in January 2021. The Council was interested to hear 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.
- 14.3. As a result of the provisional local government finance settlement being published later than expected in December 2020, the consultation exercises started later than in previous years.

14.4. The exercise comprised a number of events as follows:

- An online budget consultation which ran throughout January and had 83 responses.
- Social media posts from 6 January to 31 January
- Facebook Live Q&A, 28 January 5.15pm

14.5. The online budget consultation was completed by 81 residents and 2 representatives of an organisation. The online survey asked 9 questions which provided the opportunity to include detailed comments on where the council should reduce or remove spending, where service users could be charged and where the council should focus when developing future proposals.

14.6. When asked for their views on raising council tax and the adult social care precept the results are shown below:



14.7. The proportion of residents who do not support an increase in council tax has decreased by 9%, with an increase in those that do support increasing council tax by 4.7% and a greater proportion of residents who didn't know. The responses on the increase to the Adult Social Care Precept were exactly the same as last year.

14.8. The areas where respondents suggested the council could reduce or remove spending were on social care, new home building, and community events.

14.9. Respondents supported charging or fining people for wear and tear to council properties, HMO landlords, fly-tipping, more controlled parking zones and means testing for social care services.

14.10. There was support for increased street cleansing, improving town centres with planters, investment in highways, improving community safety, enhancing parks and leisure facilities, more anti-social behaviour enforcement and greater support for local businesses. There was also support for council staff to work remotely in order to save money on office accommodation.

14.11. At its extraordinary meeting on 26 January 2021, the Overview & Scrutiny Committee received a report of the proposed savings that underpin the setting of this budget. At their meeting, they also had the proposals set in context through a presentation from the Deputy Leader and Cabinet Member for Finance,

Performance and Core Services. The late notification of the provisional finance settlement for local government meant that the turnaround of questions and comments was quite short. All Members of the Council were invited to attend the meeting, and 38 attended in total (including members of the Committee). Questions were requested in advance, with supplementary questions allowed on the night.

- 14.12. The Overview & Scrutiny Committee did not recommend that any of the proposals put before it needed to be fundamentally reconsidered. The Committee noted that the substantial reductions in the budget that were achieved by the Ambition 2020 programme, together with the enhanced commercial capacity of the Council, meant that the following year did not have a large gap to close. They also observed, however, that in later years there was still a substantial gap to bridge for which proposals were not yet developed.
- 14.13. Nonetheless, the Committee asked a number of questions about some of the proposals which indicate matters that it would like Cabinet to consider, whether in agreeing the budget or in its implementation.
- 14.14. The movement in social care budgets is a matter of some complexity. Through its previous work on the Ambition 2020 programme, the Committee has already highlighted how critical the approach to managing demand is, and of course that this impacts very significantly on the potential required spend. The additional resources being committed, on top of previous commitments, are testament to this. Even while sounding this note of caution, however, the Committee welcomed the investment, from the perspective of ensuring that some of our most vulnerable residents are well supported.
- 14.15. In both Education and Parking there were some notable increases in income expected from enforcement activity, and the Committee asked a number of questions to understand how these figures had been arrived at. Whilst the approaches themselves were understandable, the Committee perceived some risk in attaching specific figures to something potentially volatile.
- 14.16. The Committee did question some of the assumptions about the expansion of Barking Market by an additional day, and the solidity of the proposed additional income. Reassurances were received from Members and officers on the preliminary consultation and scoping that had been done, but the Committee were still keen to flag this risk.
- 14.17. Finally, there were a number of smaller savings in Community Solutions, with one in particular that caught the Committee's attention. The proposal to place an emphasis on voluntary sector management of buildings in the Community Hubs programme felt to the Committee to be assuming both that there was interest, and that the sector could run the assets more cheaply and save the Council the money. On both points, there were again reassuring answers about the initial conversations and the sense of an appetite in the local partnership to take this on. However, it was also the case here that the Committee wanted the risks involved to be noted, and potentially would want to return to the subject in a future municipal year's Scrutiny programme to understand how this had turned out in practice.



## **15. Statutory Report of the Chief Financial (S151) Officer**

- 15.1. 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.
- 15.2. 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 Finance Director.
- 15.3. In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £174.326m and council tax requirement of £68.789m for 2021-22 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 the ongoing impact of the COVID-19 pandemic and further delays to planned changes to the national local government funding framework, now expected from 2022-23. The council will be required to remain proactive in delivering sustainable council transformation to ensure a balanced budget position can be maintained for 2021-22 and beyond.
- 15.4. 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.
  - Appropriate actions are being taken to identify and collect outstanding debts owed to the council, including historic debts.
  - 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 following the 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.
- 15.5. Appropriate governance arrangements are in place to manage financial resource throughout 2021-22:
  - 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 will be monitored and reported to Cabinet throughout the year.

15.6. 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 2021-22.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2021-22, where local referendum is required. The threshold for 2021-22 for general council tax if it rises by 2% or more, alongside a maximum 3% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2021-22 and the likely levels of collection and bad debt recovery. There is a risk that may emerge during 2021-22 if business rate revaluations take place as a result of COVID-19.

15.7. In assessing the adequacy of reserves, the Chief Finance Officer has considered the level of reserves and undertaken a risk-based approach to assessing the minimum level of balances. For 2021-22 and 2022-23 the minimum level of General Reserves is recommended at £12.0m. The current level of the General Fund balance is £17.0m.

15.8. Earmarked Reserves are available to provide financing for future expenditure plans. Earmarked Reserves (excluding those held by schools under delegation) stood at £49.6m at 31 March 2020. These are forecast to be £40.3m by 31 March 2021.

15.9. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £8m at 31 March 2020. This reserve balance is forecast to be fully utilised by 31 March 2021. The underlying 2021-22 budget does not place undue reliance on reserves as general budget support.

15.10. The Council continues to face financial challenges over the medium term. The delivery of a balanced budget for 2021-22 is reliant on delivering new savings of £2.641m in addition to those outstanding from previous years. Further savings will need to be identified in 2022-23, 2023-24 and 2024-25. There is significant uncertainty in relation to local government funding beyond 2021-22 and the potential impact of changes to New Homes Bonus, the Business Rates Retention Scheme and the Fair Funding Review. The Council continues to maintain its focus on delivering transformation at pace and thereby securing financial sustainability.

## 16. Financial Implications

Implications completed by: Philip Gregory, Finance Director

16.1. The detailed financial implications have been covered throughout the report. Members are asked to note the CFO opinion as outlined in section 15 above.

## 17. Legal Implications

Implications completed by: Dr Paul Feild, Senior Standards & Governance Lawyer

- 17.1. As set out in the main body of the report, local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This is set by sound public accounting practice guidance. As part of this requirement a forward-thinking medium-term budget strategy is key to ensuring stability. This includes taking account of future income, liabilities, risks, investments, contingencies, statutory compliances, contractual obligations and of course securing best value for money.
- 17.2. The Local Government Act 2003 Section 25 sets a specific duty on an Authority's Chief Financial Officer (Finance Director) to make a report to the authority for it to take into account when it is considering its budget and funding for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget and the Authority must have regard to the report in making its decisions. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty'.
- 17.3. The proposals are founded on the information known at the time however circumstances can change such as we have seen in the current financial year (2020-21) with the Covid 19 Pandemic and its significant impact on both incomes and additional costs, an event which no one could have reasonably foreseen. Budgetary tools such the MTFs are living documents which must adjust according to the situation the authority encounters and further anticipates. As a consequence, there is an ongoing need to prepare for contingencies including maintaining sound risk management and level of reserves which enables the authority to be prepared to deal with risks, contingencies and its future strategic vision.
- 17.4. 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 may be 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 any agreed savings options. Relevant legal considerations are identified below.
- 17.5. 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 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. 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.

17.6. 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.

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

18.1. 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.

18.2. 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.

18.3. There are no new savings proposals put forward that require EIAs and these have 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:**

- Provisional Local Government Finance Settlement  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>
- Calculation and Setting of Council Tax Base 2021/22  
<https://modgov.lbbd.gov.uk/internet/mglIssueHistoryHome.aspx?IId=78638>
- Council Tax Support Scheme 2021/22  
<https://modgov.lbbd.gov.uk/internet/mglIssueHistoryHome.aspx?IId=78637>
- Dedicated Schools Budget and Schools Funding Formula 2021/22  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=82486>
- Fees and Charges 2021  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=82479>

## **List of appendices:**

- Appendix A – Revenue Budget
- Appendix B – MTFS
- Appendix C – Savings and Growth Proposals
- Appendix D – The Statutory Budget Determination
- Appendix E – Calculation of the Council Tax Requirement
- Appendix F – Draft Capital Programme
- Appendix G – Flexible Use of Capital Receipts
- Appendix H – School Funding Formula Factors
- Appendix I – Forecast General Fund and Usable Reserves
- Appendix J – New Homes Bonus Allocations