

## ASSEMBLY

2 March 2022

<b>Title:</b> Budget Framework 2022/23 and Medium Term Financial Strategy 2022/23 to 2025/26	
<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 Director:</b> Philip Gregory, Finance Director (Section 151 Officer)	
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Interim Chief Executive & Managing Director	
<b>Summary</b> <p>The budget framework for 2022-23 is prepared in the context of continued uncertainty arising from the COVID-19 pandemic. The impact on the community of COVID-19 has resulted in financial pressures to the Council since March 2020 which will have implications for years to come. The Council has paid over £45m to local businesses in COVID-19 grants. The Council continues to support vulnerable local residents by providing additional Council Tax Support in addition to providing other support and by working in partnership with community organisations.</p> <p>This Medium Term Financial Strategy (MTFS) shows how the delivery of a strategy for a new kind of council goes hand in hand with organisational financial health. It is prepared recognising the financial uncertainty as a result of the COVID-19 pandemic and from uncertainty facing the sector in light of plans to delay fair funding reforms and 75% business rates retention until 2023/24 at the earliest, whilst taking into account anticipated demands and pressures.</p> <p>The Government issued a Budget in March 2021 followed by a Budget and Autumn Statement in October 2021. The Government have set out their ambition to 'level-up' funding across the country, the impact of which for local government is a commitment to revise funding formulae for 2023-24 introducing the Review of Relative Needs and Resources (Fair Funding) and business rates reset. As an interim measure another one year funding settlement has been provided for 2022-23. Additional funding has been provided by Government for 2022-23 for one year only which will be redistributed in future years through funding reforms. This has resulted in an extremely uncertain environment within which the MTFS has been prepared.</p> <p>This report sets out the:</p>	

- Proposed General Fund revenue budget for 2022-23
- Proposed level of Council Tax for 2022-23
- Medium Term Financial Strategy (MTFS) 2022-23 to 2025-26
- Draft capital investment programme 2022-23 to 2025-26
- Update on the Dedicated Schools Grant and Local Funding Formula for Schools

The General Fund net budget for 2022-23 is £181.895m. The budget for 2022-23 incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by Assembly in previous years together with changes in government grants and other financial adjustments.

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 an adult social care precept. This will increase the level of Council Tax from £1,348.91 to £1,389.24, (£40.33) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £31.93 (8.8%) for a Band D property, changing the charge from £363.66 to £395.59 of this £15.00 relates to the Police Precept, £1.93 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 £1,784.83 for 2022-23, compared to £1,712.57 in 2021-22. This is a total change of £72.26. At its meeting on 18 January 2022, the Cabinet 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 2022-23 to 2025-26, including £96.517m for General Fund schemes. Details of the schemes included in the draft capital programme for 2022-23 are at Appendix F.

This report was considered and endorsed by the Cabinet at its meeting on 21 February 2022.

### **Recommendation(s)**

The Assembly is recommended to:

- (i) Approve a base revenue budget for 2022-23 of £181.895m, as detailed in Appendix A to the report;
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2022-23 to 2025-26 allowing for other known pressures and risks at this 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) Delegate authority to the Finance Director, 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 2022-23 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2022;

- (iv) Delegate authority to the Finance Director, in consultation with the Cabinet Member for Finance, Performance and Core Services, to make arrangements for one-off £150 Council Tax energy rebate payments to be made to all households in Bands A – D and establish a discretionary fund for households in need who would not otherwise be eligible;
- (v) Approve the Statutory Budget Determination for 2022-23 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 1.00% and the final Council Tax proposed by the Greater London Assembly (8.8% increase), as detailed in Appendix E to the report;
- (vi) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 8-10 of the report;
- (vii) Approve the proposed projects/allocations of funding as set out in paragraphs 9.5 and 9.6 of the report and delegate authority to the Strategic Director, Community Solutions, in consultation with the Cabinet Member for Community Leadership and Engagement, to approve and enter into all necessary contracts, agreements and other documents in order to implement such arrangements;
- (viii) Approve the Council's draft Capital Programme for 2022-23 totalling £522.625m, of which £66.813m 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 section 12 of 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 G to the report;
- (xi) Approve the increased rates for Early Years Education as set out in section 13 of the report; and
- (xii) 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 2022-23 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 2022-23 of £181.895m. The report also sets out the Medium Term

Financial Strategy (MTFS) for 2022-23 to 2025-26 and the Council Tax level for 2022-23.

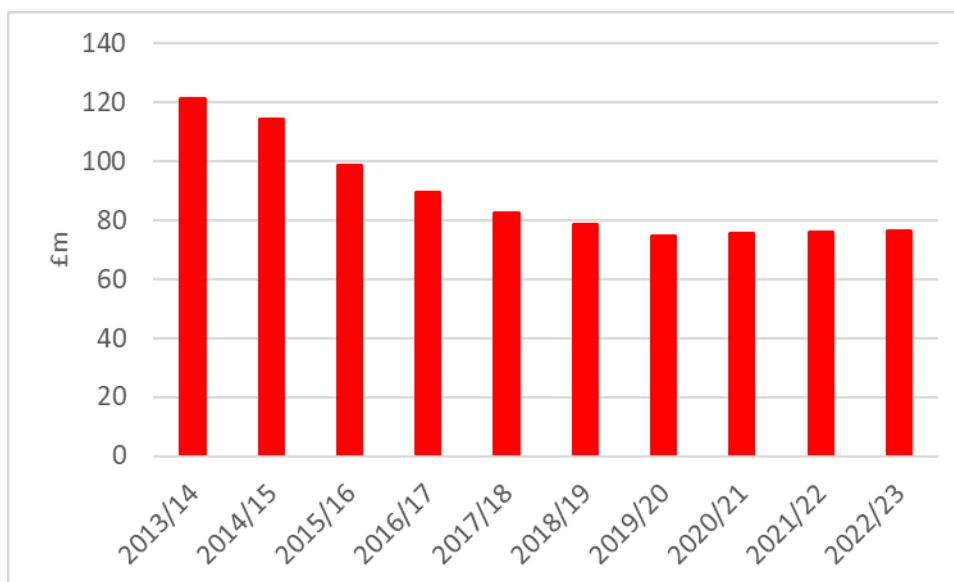
- 1.2. The MTFS is a statement on the council's approach to the management of its financial resources to meet its Corporate Priorities. The MTFS also considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks.
- 1.3. The Ambition 2020 programme set out savings and transformation to be delivered by 2020-21. The total programme savings target was £48.8m of which £36.129m is forecast to have been delivered by the end of 2021-22. A number of the original Ambition 2020 savings have been delayed as a direct impact of the COVID-19 pandemic. These savings were included in 2021-22 budgets and the implementation of these savings will continue to be delivered in 2022-23.
- 1.4. In July 2021, Cabinet approved an updated MTFS for 2021-22 including an indicative forward forecast for future years. This identified a cumulative savings gap of £25.1m during the MTFS period from 2022-23.
- 1.5. 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.
- 1.6. There have been significant cuts over several years to revenue support grant from the Department for Levelling Up, Homes and Communities (DLUHC) which, combined with increasing demographic and demand led pressures and the continuing cost of COVID-19, result in the need to identify savings and transformation proposals to deliver a sustainable MTFS. The 2022-23 Budget includes a number of savings and growth proposals.
- 1.7. The Government published their Budget and Spending Review on 25 October 2021. This set out the spending limit for DLUHC for the next 3 years with a number of policy and funding announcements related to local government.
- 1.8. DLUHC published the provisional Local Government Finance Settlement on 16 December 2021 allocating funding to individual local authorities. This set out a funding settlement for 2022-23 only with a commitment to introducing funding reforms from 2023-24. The Settlement provides a real terms funding increase for Local Government of 4.1% provided that councils increase council tax by the maximum amount allowed. Funding from Government will not increase in the following two years, although funding may be redistributed between local authorities as the Review of Relative Needs and Resources (Fair Funding) is introduced.
- 1.9. DLUHC included a one-off 'services grant' within the funding settlement although there is no additional funding for the impact of COVID-19 in 2022-23. It is expected that this grant will be redistributed from 2023-24 within local government and DLUHC have been clear that this grant will not be included in the baseline calculations for any redistribution. The implication of this is that we should not rely on receiving this funding from 2023-24. The absence of a financial framework over

beyond 2022-23 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 2023-24 onwards.

- 1.10. When introduced, the Review of Relative Needs and Resources (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 2023-24 at the earliest. The council has therefore lost the financial benefit from these reforms in 2020-21, 2021-22 and 2022-23 resulting in a wider savings gap in these financial years.
- 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.

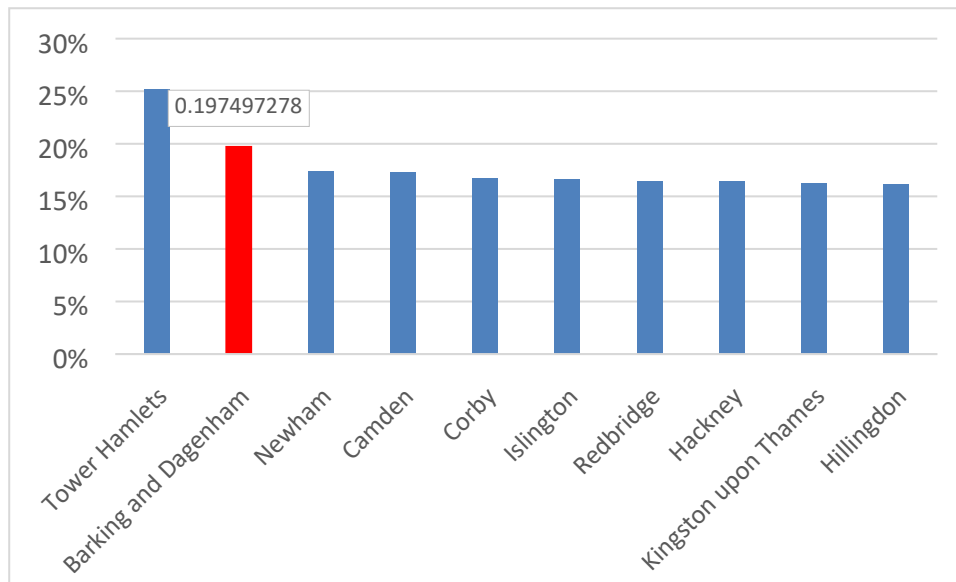
## 2. Our Medium Term Financial Strategy

- 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 core government grants have reduced by almost 40%. In 2013-14 our grant was £121m, in 2022-23 our grant will be £76m.



*Government grant funding 2013-14 to 2022-23*

- 2.2. Barking and Dagenham is projected to be the second fastest growing borough in the country between 2014 and 2024. The population of England is projected to grow by 7.5% over the 10 years to mid-2024. Of 324 local authorities, 315 are projected to see their population increase over the period and 13 local authorities are projected to grow by more than 15%.



*England forecast population growth 2014-2024*

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/subnationalpopulationprojectionsforengland/2014basedprojections#projections-for-regions-london-region-is-projected-to-grow-the-fastest>

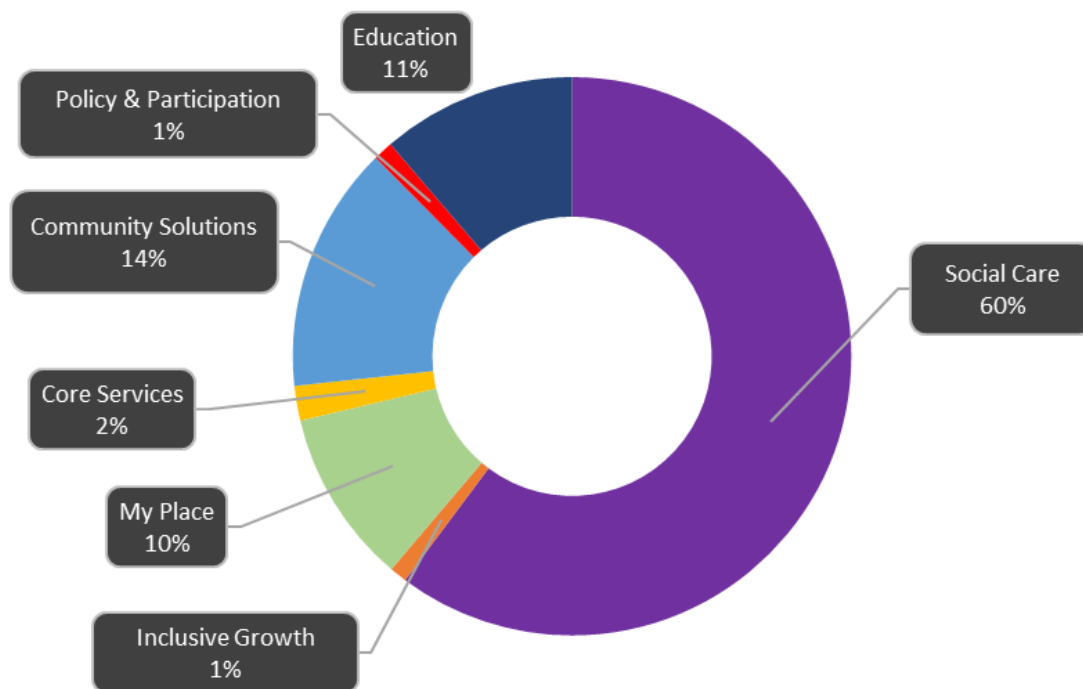
- 2.3. The combination of reducing funding and a growing population meant the Council had to do something in order to be able to continue to provide services to local residents and businesses. The Ambition 2020 programme began in 2017 and delivered a New Kind of Council whilst delivering almost £50m in savings. A primary focus of the programme was to maximise housing, business and economic growth within the borough.
- 2.4. This included 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 section 12 of the report.
- 2.5. The 2017-21 Ambition 2020 Transformation Programme identified £48.8m of savings to be delivered over the four years of the programme. 2020/21 was due to be the fourth and final year of the original Ambition 2020 savings and transformation programme, however £5.033m of the savings have been rolled forward into 2021/22 mainly as a result of COVID-19 delaying the delivery of savings as officers concentrated their efforts on responding to the pandemic.
- 2.6. The total delivered so far is £43.767m leaving £5.033m so far undelivered and built into 2021/22 budgets. The savings to be delivered 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 and were written off as part of the budget setting process in March 2021.
- 2.7. 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.

- 2.8. The delivery of agreed savings is essential to deliver a balanced budget for 2022/23 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.
- 2.9. 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:



- 2.10. 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.
- 2.11. Our budget allocates funds to services in the proportions set out below. 71% of our budget is spent on Social Care and Education.





2.12. 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. Building for the future

3.1. The Council has encountered unprecedented demands on its services since March 2020 as a result of the COVID-19 pandemic. This followed many years of financial pressure for local authorities which had resulted in underlying budget pressures emerging. The COVID-19 impact of increased demand for services, lost revenue from income sources and the temporary closure of revenue generating facilities is likely to have a lasting effect on future budgets. This adds another layer of uncertainty to factor into the MTFS development.

3.2. The financial position of the council has proved resilient throughout COVID-19. The Government provided significant amounts of grant funding during 2020-21 and 2021-22 and provided a guarantee scheme for reductions in budgeted income. From 2022-23, the Government will not provide the Council with any further specific COVID-19 financial support to mitigate the additional costs and reduced income experienced as a result of the pandemic and expect the Council to deliver services within the usual budget provisions.

3.3. It is clear that the impact of COVID-19 is also affecting the local community. In particular, the rate of unemployment within the Borough is now the highest nationally and the end of the furlough scheme increases the risk that unemployment and poverty will increase with associated mental and physical needs that require support from the Council.

3.4. However, there is now an opportunity to reassess and recalibrate the Council budget to ensure that the Council provides services to residents taking into account the effect of the pandemic and consequent changes in demographics and



behaviour. The Council has set out its long-term ambition and the strategy and tactics used over the next MTFS period between 2022-2026 will embed many of the structural changes that have already been made.

- 3.5. The investments made by the Council, including the creation of a number of subsidiary companies, are central to being able to continue to invest in services. These investments deliver significant financial returns to the Council and will continue to deliver over the MTFS period.
- 3.6. Local authorities have managed financial uncertainty since 2010 and this uncertainty will continue throughout the period between 2022-2026. The Government have committed to their 'levelling-up' agenda and set an expectation that local government funding allocations will be revised from 2023-24 onwards. A key part of these reforms will reintroduce financial settlements over periods of more than one year, providing a greater degree of certainty with which to plan budgets. As one of the most deprived boroughs in the country it is not unreasonable to assume that the Council will benefit from these changes.
- 3.7. 2022-23 is therefore expected to be a year of transition during which the Government consult upon and introduce funding reforms from 2023-24.

#### 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.

#### Headline Financial Position

- 5.1. The Provisional Local Government Settlement was published on 16 December 2021. 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 expected consultation on the implementation of the Review of Relative Needs and Resources (Fair Funding) from 2023-24.

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:

- **Autumn Budget and Spending Review 2021** – The Chancellor of the Exchequer presented the Autumn Budget will on 27 October 2021. There is significant uncertainty in relation to local government funding beyond 2022-23. The Government have set out their ambition to ‘level-up’ funding for local government targeting local areas most in need.
- The **Review of Relative Needs and Resources (Fair Funding)** 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 2023-24.
- The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2023-24.
- The **New Homes Bonus** funding for 2022-23 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 Review of Relative Needs and Resources (Fair Funding). 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 I.

5.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2022-23. 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	2022-23
RSG	36.7	28.8	0.0*	0.0*	18.0	18.1	18.7
Baseline funding	52.8	53.9	78.8	74.5	57.7	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>	<b>76.4</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%.

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 2022-23 due to the financial exposure across London should business rates income not recover as a result of COVID-19.

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

- 5.9. The forecast outturn for 2021-22 is an overspend of £7.2m as reported to Cabinet in January 2022. This can be mitigated through use of the budget support reserve. Overspends in future years will result in exhausting the budget support reserve and may result in a 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. Since 2010 government funding has reduced in real terms every year while the Council's costs have increased 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 2022-23 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 1.0%.
- 6.4. The Chancellor announced on 3 February 2022 that the Government would provide a £150 grant to be applied to all Council Tax bills between Band A and Band D. This will be fully funded by the Government as a measure to support increased costs of living in addition to other measures relating to energy bills. At the time of writing the report no further details are available.
- 6.5. The Council Tax Base report was approved by Cabinet in January 2022. This shows an increase in the Council Tax Base of 2.12% compared to an increase of 2.5% 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 £0.276m compared to the amount included in the MTFS.
- 6.6. 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.

- 6.7. 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 2022-23 are yet to be confirmed.
- 6.8. It is proposed that authority is delegated to the Chief Financial 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.
- 6.9. The Council proposes to increase Council Tax by:
  - 1.99% Local Authority Precept increase; and
  - 1.0% increase for the Adult Social Care Precept
- 6.10. These increases will raise the level of Council Tax for a Band D property from £1,348.91 to £1,389.24, an increase of £40.33.
- 6.11. The Greater London Authority has provisionally proposed an 8.8% increase in its charge for 2022-23. This precept will increase the charge to a Band D property from £363.66 to £395.59, an increase of £31.93 (comprising an additional £10 for the Metropolitan Police, £1.93 for the London Fire Brigade and £20 as a contribution towards the cost of transport services).
- 6.12. The combined amount payable for a Band D property will therefore be £1,784.83 for 2022-23, compared to £1,712.57 in 2021-22. This is a total change of £72.26 in comparison to the Council Tax bill for 2021-22. As always there will be a Council Tax Support Scheme to help the poorest taxpayers.
- 6.13. The calculation of the proposed Council Tax for 2022/23 is shown in Appendix E.
- 6.14. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.
- 6.15. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.
- 6.16. The Chancellor announced on 3 February that a one-off £150 Council Tax energy rebate payment would be made to all residents of properties in Bands A –D. This payment will operate outside of the council tax system, using council tax lists to identify eligible households, resulting in a direct payment being made to residents rather than a reduction shown on council tax bills. The Chancellor also announced a discretionary fund for households in need who would not otherwise be eligible. This could include for example individuals on low incomes who live in properties valued in bands E – H. It is proposed that authority is delegated to the Finance Director, in consultation with the Cabinet Member for Finance, Performance and Core Services, to make arrangements for these £150 payments to be made and establish a discretionary fund.

## 7. Medium Term Financial Strategy Forecasts

7.1. Reports to Cabinet in July and November 2021 set out the following financial forecasts over the medium term:

	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Budget Gap (incremental)	5.110	6.767	6.767	6.416
Budget Gap (cumulative)	5.110	11.877	18.644	25.06

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

	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Budget Gap (incremental)	-	6.094	10.952	9.291
Budget Gap (cumulative)	-	6.094	17.046	26.337

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 2021-22 and 2022-23 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix D.

## Summary of Revenue Budgets:

Department	Original 21-22	Latest 21-22	Original 22-23
CARE & SUPPORT	94.779	92.064	95.796
CENTRAL	9.684	6.787	4.897
COMMUNITY SOLUTIONS	17.218	24.775	25.897
CONTRACTED SERVICES	0.000	0.00	0.00
CORE	6.726	0.290	1.792
EDUCATION, YOUTH & CHILDCARE	18.581	20.221	20.432
INCLUSIVE GROWTH	1.305	1.342	1.816
LAW, GOVERNANCE & HR	(1.386)	(1.304)	(2.811)
MY PLACE	15.094	16.588	18.318
POLICY & PARTICIPATION	3.247	0.461	2.071
SDI COMMISSIONING	7.052	12.390	13.687
<b>TOTAL GENERAL FUND</b>	<b>174.326</b>	<b>173.614</b>	<b>181.895</b>
BUSINESS RATES + S31	(80.593)	(80.593)	(80.235)
C/F	2.663	2.663	0
NON-RINGFENCED GRANTS	(10.947)	(9.405)	(15.320)
COMPANY DIVIDENDS	(12.490)	(12.490)	(12.490)
INVESTMENT INCOME	(5.712)	(5.000)	(1.500)
NHB	1.543	1.543	1.073
<b>COUNCIL TAX REQUIREMENT</b>	<b>68.789</b>	<b>68.789</b>	<b>72.350</b>

- 8.2. The 2022-23 budget is dependent on agreed savings and additional income being delivered totalling £2.399m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Savings/Income Proposal	2022-23 £k
Community Solutions	Debt and Affordable Credit	(580)
My Place	Property Management & Affordable Credit	(154)
Core	Digital Identity Verification	(25)
Core	Mobile Phone transfer to Daisy from EE	(72)
Core	Streamline IT Procurement	45
Core	MPLS Replacement	(115)
Core	Parking Enforcement Income	(1,498)
<b>TOTAL</b>		<b>(2,399)</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 2022-23 budget also includes new budget growth proposals totalling £7.116m. These are summarised below with a full description and any future year impact

shown in Appendix C.

Service Area	Growth Proposal	2022-23 £k
My Place	Waste & Recycling	150
My Place	Keeping the Streets Clean	150
Care and Support	Giving Children the Best Chance	2,000
Care and Support	Market Sustainability & Fair Cost of Funding	616
Community Solutions	Community Hubs	70
Community Solutions	BD CAN	112
Community Solutions	Youth Zone	200
Community Solutions	Capacity Building in the Social Sector	63
Community Solutions	Improving Debt Collection (Saving reversal)	388
Core	Inclusive Workplace	100
Core	IT Core Budget Deficit	105
Core	IT Contract Inflation	260
Core	IT Operations	586
Core	IT Training budget	200
Core	Strategy & Policy Team resources	167
Strategy & Culture	Opportunities to Participate	45
Strategy & Culture	Cultural Productions	106
Inclusive Growth	Net Zero	250
Authority Wide	NI increase (Authority Wide)	1,548
<b>TOTAL</b>		<b>7,116</b>

- 8.5. A review of known budget issues and pressures has been undertaken since the report to Cabinet in December 2021. There are several budget items that need to be adjusted in order to deliver a balanced budget from 2022-23 onwards. Addressing these pressures will mitigate the risk that a significant overspend develops in 2022/23, however, funding these items will reduce the amounts held in central contingencies currently used to offset in-year budget pressures.

Service Area	New Savings/Income Proposal	2022-23 £k	
Strategy & Culture	Leisure Concession Fee Income reduction as a result of COVID-19	1,311	Reducing in future years
Public Health	Increased Coroner & Mortuary fees & demography pressure	178	Ongoing
My Place	Reduced recharge to HRA	700	On going
My Place	Adjustment to ELWA income	30	Ongoing
Inclusive Growth	Removal of unachievable income target	394	Ongoing
Inclusive Growth	Barking Foyer – unachievable income target	250	Ongoing
Community Solutions	Rental income for Brocklebank	583	Ongoing
Community Solutions	Unachievable savings from Elevate (50%) – service to manage 50%	450	Ongoing
Community Solutions	No Recourse to Public Funds – demand	282	Ongoing



Service Area	New Savings/Income Proposal	2022-23 £k	
	and cost pressures		
LGHR – Court Cost Income	Fewer case are proceeding to court	300	Ongoing
Education, Youth & Childcare	Savings relating to CYPS dept no longer achievable	197	Ongoing
Community Solutions	Reduction in cost of TfL Concessionary Fares Scheme as a result of COVID-19	(1,000)	Reducing in future years
Central Expenses	Release balance of savings non-achievement provision	(307)	Ongoing
Central Expenses	Release from inflation costs provision	(634)	Ongoing
Central Expenses	Capitalisation of Pension Strain funding no longer required	(560)	Ongoing
Central Expenses	Care Leavers CT exemption – now included in tax base calculation	(151)	Ongoing
Central Expenses	IT funding provision no longer required	(775)	Ongoing
Central Expenses	Reduction in TA growth provision	(833)	Ongoing
Central Expenses	Reduction in BDTP pension cost provision	(359)	Ongoing
Central Expenses	Removal of leisure fees provision	(56)	Ongoing
<b>TOTAL</b>		-	

- 8.6. The existing MTFs includes the following savings and additional income totalling £1.100m that have already been approved by Assembly. Some of these represent the full year impact of changes that were delivered last year but others such as the closer working with the voluntary sector in Children’s Centres and the Community Banking project are still being developed. Where these proposals are no longer viable a substitution will need to be approved by Cabinet. This is summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Previously Approved Savings/Income	2022-23 £k
Education, Youth & Childcare	Increase in Fixed Penalty Notice Income	(50)
Community Solutions	Transfer of Leys Children’s Centre to VCS	(40)
Community Solutions	Transfer of Becontree Children’s Centre to VCS	(30)
Community Solutions	Transfer of Sue Bramley Children’s Centre to VCS	(20)
Community Solutions	Revenues and Benefits Transformation	(300)
Community Solutions	Local Community Banking Service	(100)
LGHR – Regulatory Services	Additional Fine Revenue	(50)
LGHR – Regulatory Services	Barking Market additional day	(20)
LGHR – Regulatory Services	Additional on-street PCN income	(100)
LGHR – Parking Services	Additional CCTV PCN income	(100)
LGHR – Parking Services	Additional Permit Income	(50)
Inclusive Growth	Economic Development Team	(200)
IT	Cyber Security	(40)
<b>Total</b>		<b>(1,100)</b>

- 8.7. The existing MTFS includes the following budget growth totalling £7.919m. This is summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Previously Approved Growth	2022-23 £k
Care and Support	Disabilities Net Revenue Pressures	600
Care and Support	Children's Net Revenue Pressures	614
Care and Support	Adults Net Revenue Pressures	600
Community Solutions	Service Pressures	260
Participation & Engagement	Service Pressure	(50)
Public Realm	Service Pressures	530
ELWA	Levy Increase	765
Core	Staff Pay Award and Capacity Building	2,000
Core	Non Staff Inflation	1,000
Core	Pensions Remove advance payment element	1,000
Core	Capital Repayment Costs	600
<b>TOTAL</b>		<b>7,919</b>

- 8.8. 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	2022-23	2023-24	2024-25	2025-26
New Savings	(2,399)	(6,157)	(11,376)	(9,413)
New Growth	7,116	1,501	1,600	1,900
<b>SUBTOTAL</b>	<b>4,717</b>	<b>(4,656)</b>	<b>(9,776)</b>	<b>(7,513)</b>
Approved Savings	(1,100)	(1,227)	0,500	0,000
Approved Growth	7,919	10,902	11,252	13,002
<b>NET BUDGET CHANGE</b>	<b>11,536</b>	<b>5,019</b>	<b>1,976</b>	<b>5,489</b>

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

£million	2022-23	2023-24	2024-25	2025-26
Be First	10.390	10.707	10.707	10.707
BDTP	2.100	2.100	2.100	2.100
<b>TOTAL INCOME TARGET</b>	<b>12.490</b>	<b>12.807</b>	<b>12.807</b>	<b>12.807</b>

- 8.10. 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. In the short term, the Investment Strategy reserve will be used to smooth out dividend income.

- 8.11. The MTFS also includes the expectation of a return of £1.5m from the Investment Strategy and £0.7m from further commercial activity (Hotel scheme) which increases the level of commercial risk. The MTFS is included in Appendix B.

## 9. Current Service Updates

- 9.1. **Children's Care and Support** – There are several factors driving the pressures within Children's Care and Support. The impact of COVID-19 has resulted in an increase in the number and complexity of the cases presenting, meaning that additional social workers have been needed to ensure children are protected from harm and there has also been an increase in the numbers of specialist placements required. This has resulted in increased market prices. In the current year and looking to the future the economic climate will impact on care providers further driving up costs. The relatively young demographic makeup 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. 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. In 2020-21 the Council spent around £42m on Care and Support for vulnerable children and the level of spend is forecasted to remain at this level during the current financial year. The service has identified a number of both in year and long-term efficiency improvements and commissioning savings as a contribution to meeting these pressures. The Council is increasing the budget £0.614m in 2022-23. In addition, the Council is investing £2m in the Targeted Early Help service. This is with a view to realising better outcomes for Children and families and to prevent Children migrating through the service requiring a higher level of support. This is in addition to substantial budget growth provided in 2020-21 and 2021-22.
- 9.2. **Disabilities Care and Support** - Continuing medical advancements mean an increased life expectancy of people with living with severe and complex disabilities in our borough, and we are seeing a significant number of children with special educational needs and young adults living longer with much more complex needs. Previous reviews 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. This financial year we are providing a further £0.6m of growth.
- 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 have maintained this level of investment in 2021-22 and are providing a further £0.6m of investment in 2022-23.
- 9.4. **Community Solutions** - Community Solutions has continued to expand and encompasses a range of front-line services supporting residents in challenges such as debt, unemployment, homelessness, providing advice and support for several universal services including those commissioned by Care and Support and Library Services for all. During the epidemic and lockdown, it has had a particularly important role and is central to the delivery of Community Hubs. Community Solutions has made £6m savings from 2017-18 to 2021-22. In 2022-23. We are investing in areas such Revenues and Benefits to generate further income £420k to generate £1.0m of income, Community Hubs, participation, and engagement to ensure continued improvement in working with our community. Moving forward the

department now includes Customer Service and Digital where there has been a focus on how we are responding to changes in technology and our customers' preferences when contacting the Council, this should release savings out of the Council's current processes.

- 9.5. Every One Every Day has been awarded funding of £200k per year, for a further three years (previously £300k per year), subject to external grant funding being secured to deliver the estimated £1.1m annual running costs. This programme will continue to secure further investment into the Borough via external funders.
- 9.6. As part of the ongoing funding arrangements performance and outcome targets are to be agreed that will be reviewed on annual basis and contained within a Memorandum of Understanding and governance arrangements concerning the Council's investment. This will also include all necessary steps to implement the development and necessary support for the ongoing development of a participation culture and its projects, reporting to the Participation and Engagement Members group as required.
- 9.7. **My Place** - My Place delivers the Council's "place-based" services that is housing management and environmental services such as waste, recycling and parks and also asset management. It will continue to support delivery of the Council's capital programme. Over the next few years we expect to make significant investment in the waste and recycling services to meet the National Waste Strategy standards and residents expectations while contributing to carbon reduction. In 2022-23 there will be some initial investment in these programmes and funding to support cost pressures from inflation and the increase in housing. We will also be realigning the budget for income received from the HRA.
- 9.8. **Enforcement**- As normal business begins to return Parking is forecasting a surplus of £3.4m in this financial year, and a further £3.5m in 2033-23 based on current performance. This is income from a mixture of fines and commercial income and potential additional markets activity.
- 9.9. **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. There is a clear need to invest further in our IT infrastructure so that we can continue to improve efficiency, make services more accessible online and also ensure data security and protection from cyber attack.
- 9.10. **Leisure** - The Council has a long term agreement with a Leisure Provider to manage its leisure facilities. Until the pandemic this provided a significant income to the Council. However the centres were required to close for long periods and the terms of the agreement were renegotiated. This has reduced the income expectation in this financial year and 2022-23 and then start to increase from 2023-24 onwards. A budget adjustment has been built in to reflect this revised profile.
- 9.11. **Concessionary Fares** - The borough makes a contribution to TFL for the costs of free and subsidised public transport for older and disabled people. The amounts charged depend on the cost of fares and the level of activity. Use of public transport reduced very sharply during the pandemic and has not yet returned to previous levels resulting in much lower costs of the scheme. The budget for this

has therefore been reduced in line with costs. In future years activity is expected to rise again and the costs are likely to increase with inflation so budget increases have been built in for future years.

## 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 £784m in 2021-22, growing to £1,340m in 2022-23. 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 gross General Fund capital programme for 2022-23 is £66.814m for Services and transformation and £418.168m for the Investment and acquisition (IAS) strategy. The largest element of the Services programme is Schools/Education (£40.776m) which is largely grant funded by the Department of Education.
- 11.2. The Council's Indicative General Fund Capital Programme 2021-22 to 2024-25 is set out below. A more detailed breakdown of the 2022-23 programme is set out in Appendix F. Appendix F does include the forecast spend for a number of IAS schemes that have not, as yet, had confirmed budgets agreed and therefore the report does contain a significant amount of acceleration. This position will be corrected prior to yearend, as and when schemes budgets are formally agreed. The Capital spend in the appendix is also gross, with financing noted next to each scheme.

Capital Expenditure	2021/22	2022/23	2023/24	2024/25
<b>General Fund</b>				
Adults Care & Support	1,000	1,604	-	-
Community Solutions	74	-	-	-
Core	1,231	1,145	-	-
CIL / S106	623	878	-	-
Culture, Heritage & Recreation	3,718	8,022	250	
Enforcement	591	2,369	0	-
Inclusive Growth	10,236			
Transport for London schemes	554	893	-	-
My Place	7,028	6,518	5,190	
Public Realm	1,530	732	-	-
Education, Youth and Childcare	25,297	39,687	24,263	
Other	331	1,634		

<b>Capital Expenditure</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Transformation	6,094	1,990	-	-
<b>TOTAL EXPENDITURE</b>	<b>58,307</b>	<b>65,472</b>	<b>29,703</b>	<b>0</b>
<b>Financed by:</b>				
Grant	-37,087	-46,157	-24,263	0
CIL/S106	-254	-1,376	-100	0
Revenue	-665	-2,149	0	0
Capital Receipts	-6,094	-1,990	0	0
Self-Financing	-1,968	-2,768	0	0
<b>Total Net Borrowing Requirement</b>	<b>12,239</b>	<b>11,032</b>	<b>5,340</b>	<b>0</b>
<b>Investment and Acquisition Strategy</b>				
Committed Funding Requirement	398,209	418,168	373,174	182,798
IAS Grants (RtB, GLA) and sales	-69,927	-93,313	-109,133	-46,768
<b>Total Net Borrowing Requirement</b>	<b>328,282</b>	<b>324,855</b>	<b>264,041</b>	<b>136,030</b>
PFI Additions & Repayments	<b>-3,009</b>	<b>70,000</b>	<b>-3,459</b>	<b>-3,768</b>
<b>Net financing need for the year</b>	<b>337,512</b>	<b>405,887</b>	<b>265,922</b>	<b>132,262</b>

- 11.3. The budgets include estimates of roll-forwards budgets from 2021-22 and are indicative. Not all the IAS expenditure is under contract but they have been agreed by Cabinet. Capital Receipts include the sale of the Film Studio land and part of the potential sale of Pondfield and will be used to fund transformation costs. Additional capital receipts are not included here but will be used to reduce the Council's overall Capital Financing Requirement (CFR).
- 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). This budget is split between interest and Minimum Revenue Provision and work will be completed, following the confirmation of the 2021-22 outturn and allocated.
- 11.5. There was no bidding round for the 2022-23 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 main resource available to meet future capital demands is prudential borrowing for 2022-23, limiting any new capital schemes which are not externally funded to £5m as set out in 11.7. The commitments can be summarised as follows:

	<b>£m</b>
Recurring allocations (see 11.6 below)	1.34
Future year impact of 2020-21 bids (see 11.7 below)	3.70
<b>Total already committed</b>	<b>5.04</b>

- 11.6. As part of the 2021-22 budget report, there were two schemes which were put forward for approval as recurring amounts in the capital programme every year. 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 2021-22 budget which included future year commitments against those schemes approved. These schemes total £3.70m for 2022-23 and, including £280k of forecast slippage from 2021-22, a total of £3.98m. Including the £1.34m recurring amounts, the total for 2022-23 is £5.949m, as outlined below:

		Q3	Q3	Q3	21/22	22/23	22/23	23/24
Code	Project	Budget	Cost	Forecast	Carry-Forward	Budget	Indicative Budget	Budget
FC05018	Stock Condition Survey	1,054	324	885	169	1,000	1,169	1,000
FC02811	Ward Capital Spend	578	88	118	460	340	800	340
FC05048	Procuring in cab tech for waste vehicles & subsequent licences etc	140	-	50	90	65	155	30
FC03065	HIP 2016-17 Footways & Carriageways	3,726	3,011	3,960	-234	3,485	3,251	3,820
FC05038	82A AND 82B OVAL ROAD SOUTH	325	-	-	325	-	325	-
FC03090	Lakes	254	94	155	99	150	249	150
<b>Total</b>		<b>6,077</b>	<b>3,517</b>	<b>5,168</b>	<b>909</b>	<b>5,040</b>	<b>5,949</b>	<b>5,340</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 2022-23 transformation projects that deliver ongoing revenue budget savings. This flexibility has been in place since 2016/17 following a number of extensions to the initial directive by Government. The most recent extension was announced in February 2021 to apply from 2022/23 to 2024/25, however at the time of writing the report the formal guidance has not been issued.

12.2. Due to the delay in publication by DLUHC of the details of the extension to the flexible use of capital receipts, the updated policy and qualifying schemes have not been published alongside this report. Should the Direction be issued in advance of the Assembly meeting in March, an updated policy will be provided.

## 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 2022-23 is based on October 2021 pupil census data and the Department for Education has published the final DSG allocations for 2021-22 which is £319.7m (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



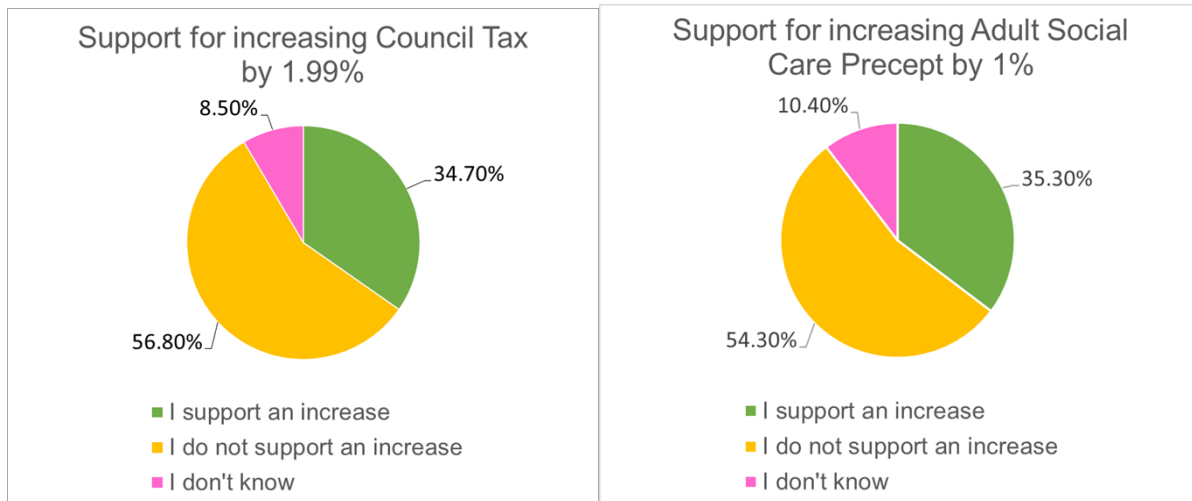
blocks this year. However, the Schools block has been topsliced to provide sufficient funding for growth – new classes that we expect to be required for September 2022. We will be drawing down on the DSG reserve to create a small fund to assist schools facing temporary financial challenges as a result 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. Members are recommended to confirm approval of the overall principles and the consequent funding factors for the schools block, which are set out in Appendix G.
- 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 £21.6m but this is subject to change in line with take up of places. This allocation includes an increase in the hourly rates of 17p for three to four year olds and 21p for two year olds. It is recommended that this increase is passed through to our local providers.
- 13.6. In addition, it is proposed to top up both rates to make the total increase of 25p to be funded by drawing down on the DSG reserve. This would increase the basic provider rate to £5.76 per hour for two year olds and £5.09 per hour for three to four year olds.

## **14. Consultation**

- 14.1. A report on the Budget strategy was presented to Cabinet in November 2021, updating Members on funding assumptions and other factors affecting the MTFS.
- 14.2. A consultation exercise on the budget with residents and businesses began in January 2022. 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 2021, 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. The online survey was undertaken which had 173 responses.
  - Social media posts from 7 January to 31 January
  - Facebook Live Q&A, 27 January 6pm
- 14.5. The Facebook Live Q&A session had 1,000 views with 89 comments, 81 likes and 9 shares. It is estimated that the reach of the session was 2,400 people (based on the average number of people watching the livestream).

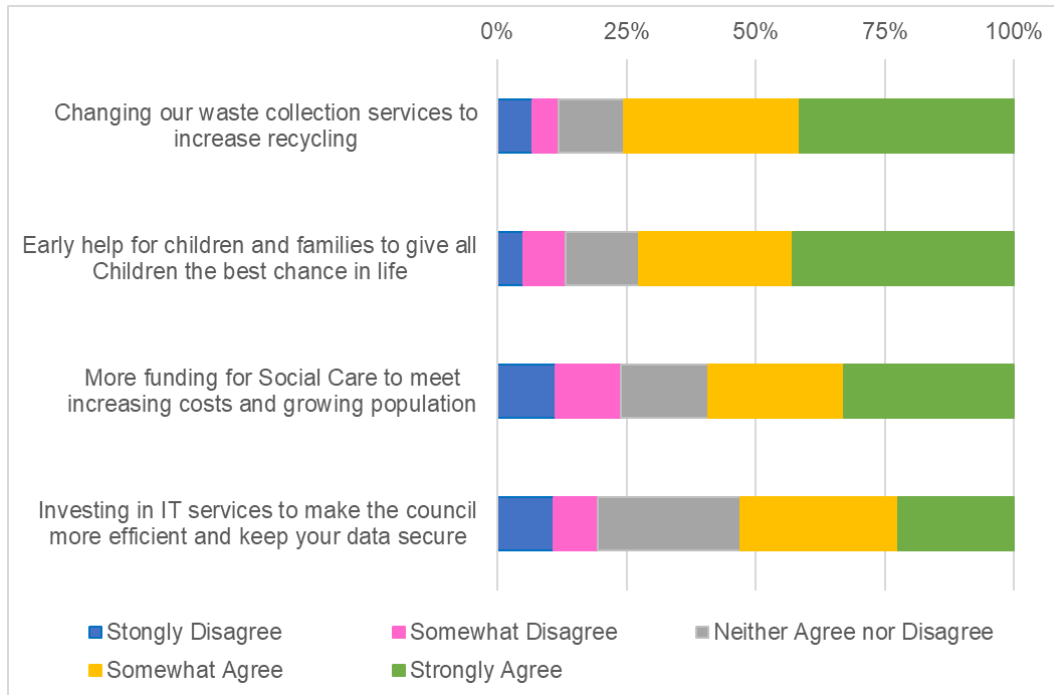
- 14.6. The online budget consultation was completed by 172 residents and 1 representatives of a business that pays business rates in the Borough. The online survey asked 9 questions which provided the opportunity to include detailed comments on where the council should reduce or remove spending, where service users could be charged and where the council should focus when developing future proposals.
- 14.7. When asked for their views on raising council tax and the adult social care precept the results are shown below:



- 14.8. The consultation asked respondents to rank service areas that the Council should prioritise. A score of 1 represents areas that are most important and 10 represents areas that are less important. The ranked results are shown below:

Service Area	Rank
Keeping the streets clean and collecting waste	4.06
Giving all children the best start in life	4.14
Reducing anti-social behaviour	4.33
Supporting older people and adults with disabilities	4.59
Providing economic development and jobs	5.52
Providing more affordable housing	5.84
Better engagement with our residents as citizens, voters and customers	6.60
Providing opportunities for everyone to participate in leisure, culture, and community activities	6.85
Working to reduce debt for our residents	7.28
Carbon reduction and moving towards net zero	7.45
Improving private rented housing	7.54

The consultation asked respondents for an indication of their support for areas where investment is planned in the 2022/23 budget. The results are shown below:



## 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 £181.895m and council tax requirement of £72.350m for 2022-23 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 2023-24. The council will be required to remain proactive in delivering sustainable council transformation to ensure a balanced budget position can be maintained for 2022-23 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 continued impact following the COVID-19 pandemic and 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 2022-23:

- 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 2022-23.
- The proposals do not breach the "excessiveness" principle for 2022-23, where a local referendum is required. The threshold for 2022-23 for general council tax if it rises by 2% or more, alongside a 1% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2022-23 and the likely levels of collection and bad debt recovery. There is a risk that may emerge during 2022-23 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 2022-23 and 2023-24 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 £91.2m at 1 April 2021. These are forecast to be £89.3m by 31 March 2022.

15.9. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £11.4m at 31 March 2021. This reserve balance is forecast to be £4.2m by 31 March 2022. The underlying 202-23 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 2022-23 is reliant on delivering new savings of £2.399m in addition to those outstanding from previous years. Further savings will need to be identified in 2023-24, 2024-25 and 2025-26. There is significant uncertainty in relation to local government funding beyond 2022-23 and the potential impact of changes to New Homes Bonus, the Business Rates Retention Scheme and the Review of Relative Needs (Fair Funding). 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 (2021-22) with the Covid 19 Pandemic continuing with the Autumn and Winter new viral strains of Delta and Omnicom which continue its significant impact on both incomes and additional costs, though tempered by the widescale vaccination and booster programme. 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-2022-to-2023>
- Calculation and Setting of Council Tax Base 2022-23  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86303>
- Council Tax Support Scheme 2022-23  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86301>
- Dedicated Schools Budget and Schools Funding Formula 2022-23  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86300>
- Fees and Charges 2022  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=86292>

### **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 – School Funding Formula Factors
- Appendix H – Forecast General Fund and Usable Reserves
- Appendix I – New Homes Bonus Allocations