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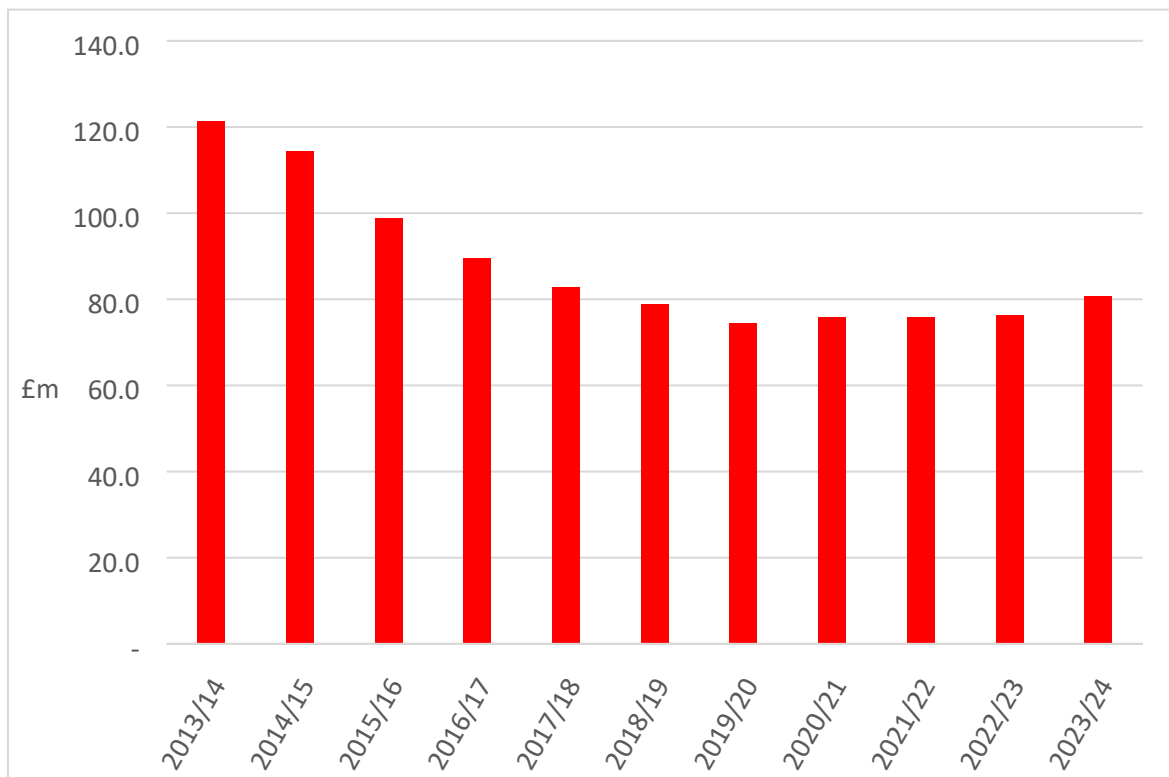
18 July 2023

Title: Medium Term Financial Strategy and Reserves Policy 2023/24 to 2027/28	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Executive Team Director: Philip Gregory, Strategic Director, Finance & Investment	
Summary <p>This report sets out a draft Medium-Term Financial Strategy (MTFS) and Reserves policy for the period 2023-24 to 2027-28 for key Council (General Fund) services. It shows how the delivery of the corporate strategy and a well-run organisation goes hand in hand with organisational financial resilience. It has been prepared recognising the financial uncertainty arising from a period of increasing inflation following 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 2025-26 at the earliest, whilst taking into account anticipated demands and pressures.</p> <p>The MTFS identifies a cumulative gap of £28.3m during the MTFS period. This gap is to be closed through targets for both short-term and longer-term interventions which will require budget savings to be delivered to ensure a medium term financially balanced position. The report also sets out principles for a robust reserves policy.</p>	
Recommendation(s) <p>Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Approve the Medium Term Financial Strategy 2023/24 to 2027/28 as set out at Appendix A to the report;(ii) Approve the Reserves Policy 2023/24 to 2027/28 as set out at Appendix C to the report; and(iii) Endorse the proposed approach to ensure the financial health of the Council over the medium term.	
Reason(s) <p>The setting of a robust and balanced Medium Term Financial Strategy 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</p>	

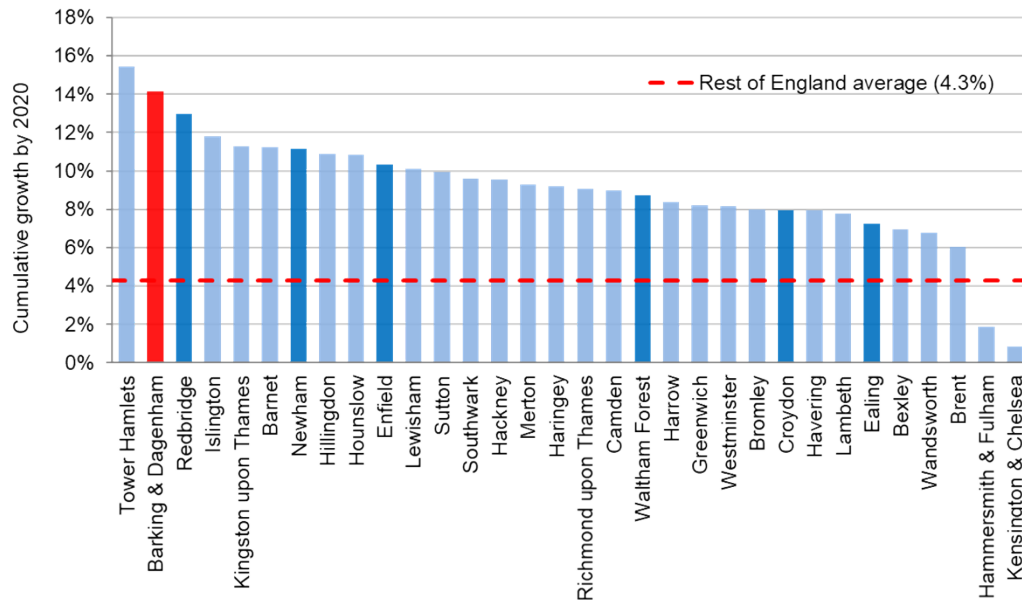
vision of One borough; one community; no one left behind and delivery of the priorities within available resources.

1. Introduction and Background

- 1.1. This report sets the context for the future financial position for the London Borough of Barking and Dagenham. The Medium Term Financial Strategy (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.
- 1.2. In March 2023, Assembly approved the budget for 2023-24 including an indicative forward forecast for future years.
- 1.3. 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 2023-24 our grant is £80.7m.



- 1.4. Barking and Dagenham has also 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.



- 1.5. 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 fundamental restructure within the Council whilst setting out plans to deliver almost £50m in savings and increased income. A primary focus of the programme was to maximise housing, business and economic growth within the borough.
- 1.6. The COVID-19 pandemic had a profound and unprecedented impact on the activity and finances of the council since March 2020. The financial scarring effects of the pandemic will continue to impact demand for services and income due to the council for many years to come. Whilst the council is not alone in facing these challenges this does not lessen the scale of the challenge and the impact on the residents and businesses within the borough.
- 1.7. The economy is also having to cope with increasing inflation resulting in a cost-of-living crisis. The impact of this is uncertain apart from a high probability that costs will increase and income sources will be unlikely to keep up. This is discussed further in section 3 of the report.
- 1.8. The financial framework was anticipated to change as a result of the Ministry of Housing, Communities and Local Government (MHCLG) Fair Funding review from 2019-20. The Government has not begun consultation on introducing these reforms during 2023 which implies that another one-year financial settlement will be provided for 2024-25 with longer term funding reforms being introduced in 2025-26 at the earliest.
- 1.9. The impact of these delays to funding reform on the council is by no means clear. However, the MTFs brings together anticipated demands and pressures and sets out how the council will ensure a balanced medium-term position.
- 1.10. Medium term financial planning must make assumptions about the future demand profile and cost pressures on expenditure and on factors that affect income

sources. The MTFS represents a summary of these assumptions and their impact on the funding of the council.

- 1.11. The MTFS sets the financial envelope within which the council must fund its activities in order to set a balanced budget in each of the next 4 years. In order to begin the budget setting process for 2024-25 and beyond it is therefore prudent to revise the MTFS at the beginning of the budget setting process. Throughout the summer and autumn services plans and budgets will be produced to deliver a balanced budget for 2024-25. In addition, this process will allow the council to identify where savings may be achieved in future years and begin planning their delivery.
- 1.12. The MTFS provides assurance on the intended use and the overall level of reserves and the extent of underpinning commercial and financial planning risk.

2. Council Priorities and Strategic Framework

2.1. The MTFS is underpinned by the Council's Corporate Plan which sets out the vision of the council and seven strategic priorities by which the vision will be achieved:

- **Residents are supported during the current Cost of Living Crisis.** Our residents are particularly vulnerable to increasing costs, due to the existing level of deprivation and the residual effects of Covid. Building and maintaining financial resilience is integral to the aspirations our residents have. We must support those with the most need while preventing others from reaching crisis.
- **Residents are safe, protected and supported at their most vulnerable.** As a deprived borough, high numbers of residents are exposed to negative impacts on their health, wellbeing, and resilience, and need the support of care and support services. We need to come together with partners to build a system that supports, protects and safeguards children, young people and vulnerable adults.
- **Residents live healthier, happier, independent lives for longer.** Empowering and enabling residents to live healthier, happier, independent lives for longer requires action across the wider determinants of health, such as employment, education, transport, housing, and community networks which is why we are adopting a "health in all policies" approach enabling people to thrive and realise their potential.
- **Residents prosper from good education, skills development, and secure employment.** We believe in the potential of the people of Barking and Dagenham and are committed to creating and fostering opportunities and environments where they can thrive. Fundamental to this, is to support the provision of quality learning and training that enables people of all ages to achieve.
- **Residents benefit from inclusive growth and regeneration.** We have an ambition to accelerate economic growth whilst ensuring it benefits residents and every neighbourhood across the borough. We want to enable residents to thrive



by having access to high quality and affordable homes; and connect local people with the opportunities in the labour market. We want to continue to positively transform communities and encourage local businesses to grow; supporting and attracting long term investment that benefits our residents.

- **Residents live in, and play their part in creating safer, cleaner, and greener neighbourhoods.** We want Barking and Dagenham to be a place where people from all backgrounds feel safe and live well. We aim to do this by keeping our children and young people safe, tackling crime that affects people the most, reducing offending, and standing up to hate, intolerance and extremism.
- **Residents live in good housing and avoid becoming homeless.** Housing is an important determinant of health, wellbeing, and stability. The tragedy of Grenfell Tower and the recent death of Awaab Ishak from exposure to mould show the devastating potential consequences of unsafe housing. On the other hand, access to affordable, safe, and stable homes provides a foundation for a community in which residents can thrive and achieve their personal, professional, and social ambitions.

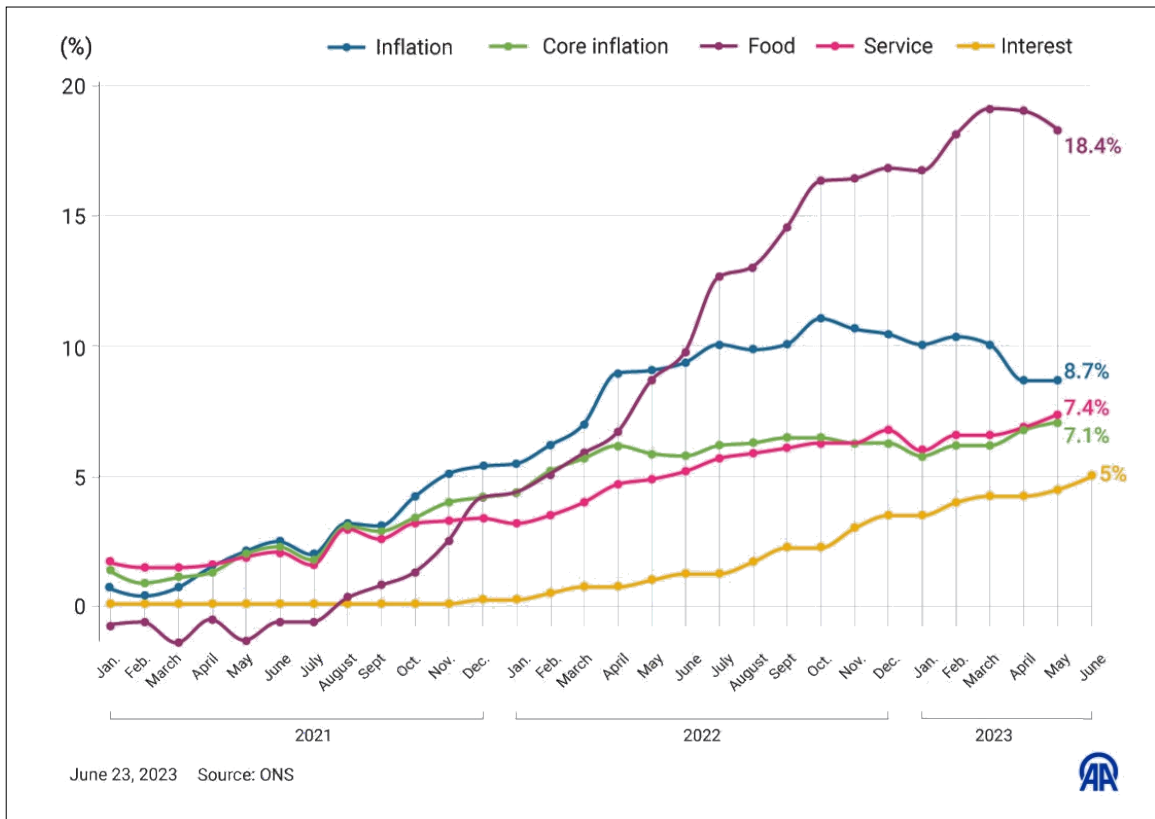
2.2. To support our priorities, a set of principles have been developed to be applied to our work across the whole Council. Together, with our values and culture, these principles will drive service delivery, performance, and innovation.

- Work in partnership.
- Engage and facilitate co-production.
- Be evidence-led and data driven.
- Focus on prevention and early intervention.
- Provide value for money.
- Be strengths-based.
- Adopt a “Health in all Policies” approach.
- Strengthen risk management and compliance.

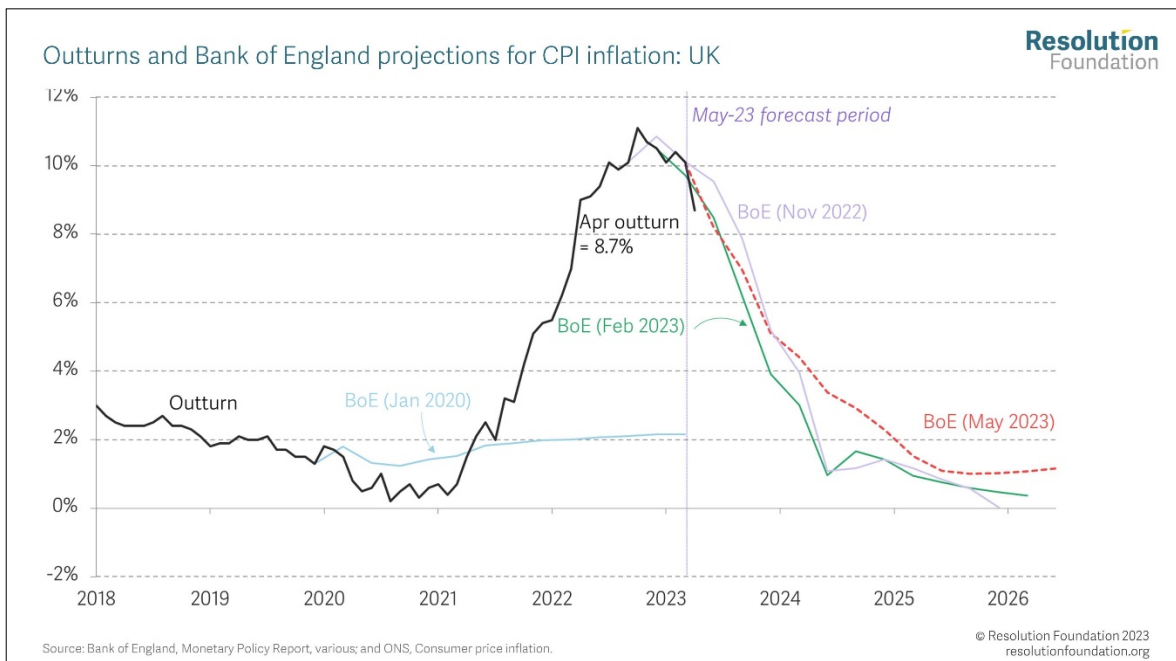
2.3. These priorities and principles will sit alongside our continued investment in the community and will drive all council activity in the years ahead. Critically, each has an important part to play in managing future demand on council services. The financial position set out in the MTFS is designed to reflect this position.

3. **Cost of Living Crisis**

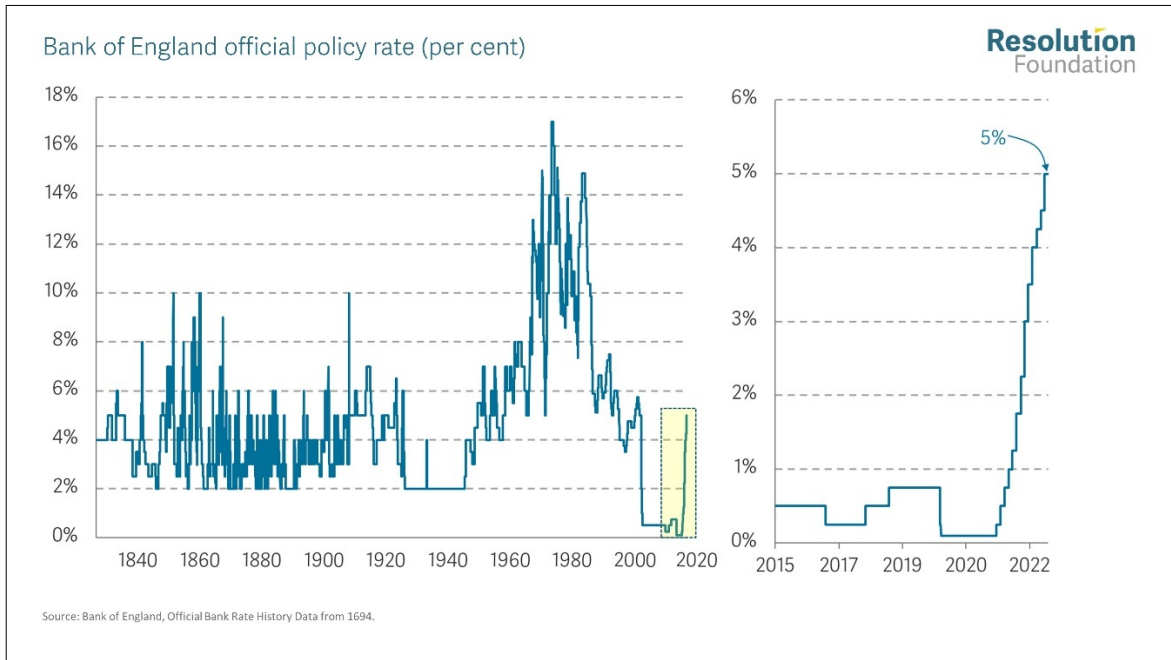
3.1. The cost-of-living crisis is driven by many factors that are primarily evidenced by increases in inflation (comparing current costs to how much they cost a year ago). There are a number of reasons for increasing inflation which started to increase in 2021 in large part due to increased spending on goods during the Covid crisis. As economies around the world, including in the UK, opened up after Covid restrictions eased, some businesses struggled to meet this extra demand because of difficulties in getting the materials used in their production. Russia’s continued invasion of Ukraine has led to sharp increases in the price of energy. The war in Ukraine has also caused an increase in the price of many agricultural commodities, such as grain, which are needed to produce food. There are also inflationary pressures from the UK economy including wage inflation as there are more job vacancies than there are people to fill them, which means employers are having to offer higher wages to attract job applicants. The chart below shows key components of inflation continuing to increase.



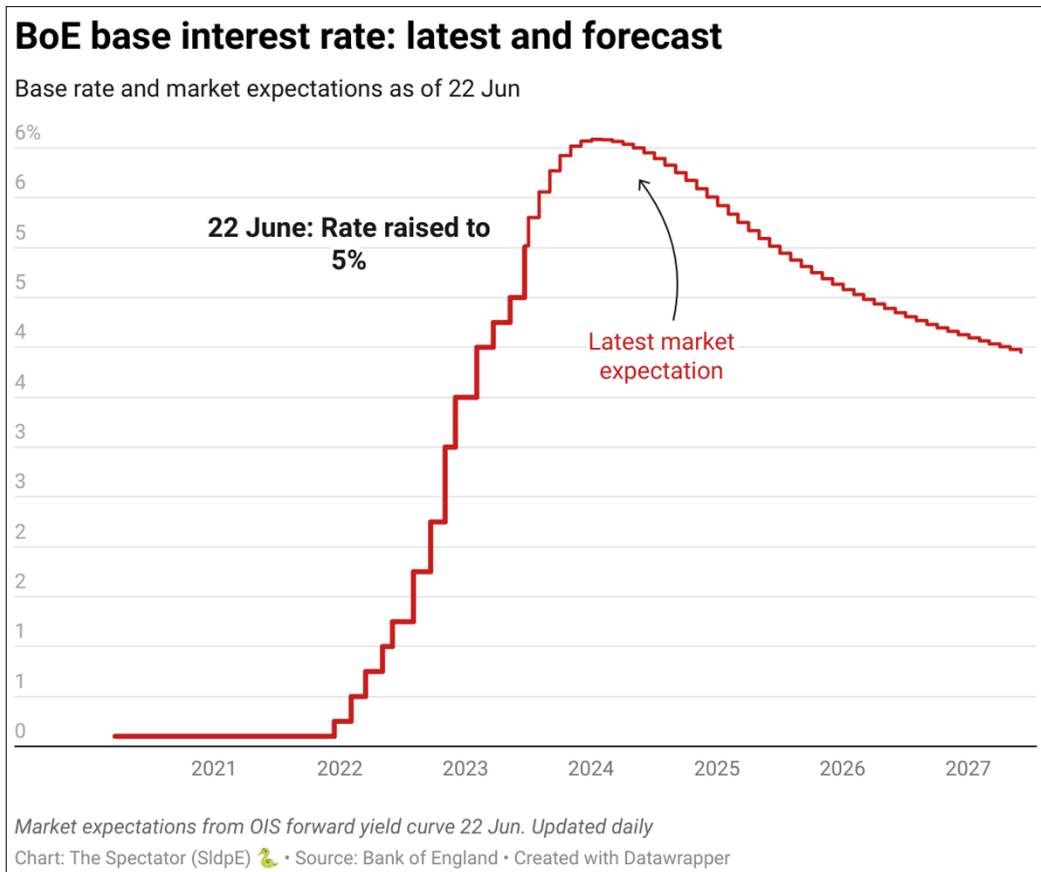
3.2. Inflation has risen sharply to levels not seen for many decades. On 21 June 2023, the Office for National Statistics (ONS) published data showing that twelve-month inflation in the Consumer Prices Index (CPI) was 8.7% in May (compared to 7.1% in the Euro-area and 2.7% in the US). The Bank of England forecast that CPI inflation is expected to fall to the 2% target by the end of 2024 as shown below.



3.3. In an effort to contain inflation and return it to the Governments 2% target the Bank of England has increased interest rates in recent months reaching 5.0% in June 2023. The last time rates were at 5.0% was September 2008.



3.4. Interest rates may continue to increase over coming months with financial markets expecting rates to increase to 6% before slowly reducing towards 4% in 2027.



- 3.5. The impact on the council is pronounced and creates significant financial pressure on budgets. The cost of goods and services, including energy costs, to the council are expected to increase during the current financial year. In addition, the pay award for 2023-24 is likely to be greater than the 4% included in budgets. These cost increases will create in-year budget pressures that services will need to manage.
- 3.6. The impact on local residents and businesses will also be extremely challenging. Barking and Dagenham is the most deprived London Borough and has the some of the highest levels of unemployment in the country. The council relies on council tax and business rates income to fund services and many services have income budgets from fees and charge which will continue to be under pressure during 2023-24.

4. COVID-19

- 4.1. The COVID-19 pandemic occurred after many years of financial pressures for local authorities. Even without COVID-19 there were underlying overspends or pressures in a number of areas, some of which worsened during the pandemic. There has been significant financial turmoil from many different aspects of their local roles, both from the delivery of services and as a conduit for central government to support local businesses.
- 4.2. The current expectation remains that there will no further Government support beyond what has been announced for previous financial years. It is expected that the demand for services will continue to emerge, particularly in social care services over the medium term.

5. Medium Term Financial Strategy Forecasts

- 5.1. The budget report to Cabinet in February 2023 set out the following financial forecasts:

Table 1: Financial position reported in February 2023

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Budget Gap (incremental)	-	3.991	5.689	6.181
Budget Gap (cumulative)	-	3.991	9.680	15.861
Council Tax Assumption	4.99%	4.99%	2.99%	2.99%

- 5.2. A review of the assumptions within the MTFS has been undertaken to inform this update, rolling forward these to 2027-28 to present the updated MTFS position. In response to increasing inflation the budget provision from 2024-25 onwards has been increased to take into account pay and price increases. In addition, the services grant from government which was expected to be provided for 2022-23 only has been included in 2023-24 and future years as the funding reforms promised from 2023-24 in place of the services grant are unlikely to materialise. Further details on assumptions within the MTFS are described in the following section of the report.

5.3. As shown in Table 2 the budget gap has increased from £15.861m to £28.312m.

Table 2: Recommended changes to the MTFS

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Budget Gap (incremental)	3.991	5.689	6.181	-
Updates	7.874	(2.007)	2.962	3.622
Budget Gap (incremental)	11.865	3.682	9.143	3.622
Budget Gap (cumulative)	11.865	15.547	24.690	28.312

- 5.4. 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.
- 5.5. Included within the figures in Table 2 are increased allocations for inflation and demographic growth over the MTFS period. Inflation is provided for pay and price inflation with the actual pay award for 2023-24 still outstanding for most staff. Inflation is assumed to peak during 2023 and reduce to 2% by 2025. Demographic growth funding is an estimate of funding that will be required as the borough population grows, recognising that the cost of providing services to these additional residents will also grow. Services will be able to bid against these funding allocations and the final allocations for 2024-25 will be confirmed in the MTFS presented for approval by Assembly in March 2024.

Table 3: Inflation and Demographic Growth funding

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Inflation	9.267	6.665	3.941	3.999	3.999
Demographic Growth	4.068	4.287	4.629	4.776	4.776
Total:	13.336	10.942	8.570	8.776	8.776

- 5.6. The Section 151 Officer has assessed the minimum level of general fund balances at £12m and the Council currently holds £17m.
- 5.7. The Council uses reserves to support medium term financial planning and management. This is particularly important in the current economic climate and uncertainty regarding the impact of the wider economy, continuing demand following COVID and delays to local government funding reforms. The strategy of the Council is one focused on growth and investment in the borough. It is therefore necessary to hold reserves at sustainable levels to dampen the effect of short-term changes in the economy without putting at risk the longer-term goal of growth.

6. Key Assumptions

- 6.1. There are a number of assumptions that underpin the updated MTFS including:
- 6.2. There is an assumption of full achievement of previously approved transformation savings. 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.
- 6.3. Growth in budgets has been included where this has previously been agreed by Cabinet. The scope for growth in future budgets will be extremely limited beyond what has already been included for inflation and demographic growth. It is therefore likely that services will need to absorb some of the inflation and demand pressure in future years. Services will need to plan to over-achieve on savings in order to afford some breathing space to manage unexpected financial pressures within year.
- 6.4. Settlement funding and specific grant funding from Government will continue on the same principles that were applied in 2023-24 which increased 2023-24 funding compared to the MTFS assumptions by £7.9m, £4.1m of which related to changes in Adult Social Care responsibilities. The estimated increase in funding for 2024-25 compared to 2023-24 is £14.1m, £4.8m of which relates to changes in Adult Social Care responsibilities. It must be noted that most of these funding increases have been included in the MTFS already and is therefore not additional funding.

	2023-24 ESTIMATE	2023-24 ACTUAL	2024-25 ESTIMATE
Settlement Funding Assessment Grant	79.428	80.734	85.174
Business Rates Multiplier Compensation	6.307	10.196	10.757
Council Tax	76.750	77.780	84.112
New Homes Bonus	0.857	1.938	-
Lower Tier Services Grant	0.434	-	-
2022-23 Services Grant	5.458	2.331	2.240
Improved Better Care Fund	10.707	10.707	10.707
Social Care Grant	10.506	12.118	19.268
ASC Discharge Fund	-	1.501	2.598
LA share of iBCF Funding	-	4.508	-
Market Sustainability & Fair Cost of Care Funding	5.627	2.138	3.215
TOTAL SPENDING POWER	196.075	203.952	218.071
<i>Variance from 2023-24 estimate to actual</i>		7.877	
<i>Variance from 2023-24 actual to 2024-25 estimate</i>			14.119

- 6.5. To date the Government have not yet begun consultation on the implementation of funding reforms and so the implication is that the fair funding review and business rates reset will be introduced in 2025-26 at the earliest, if at all. DLUHC provided indicative funding allocations for 2024-25 when the 2023-24 allocations were provided in December 2022. Funding from Government from 2025-26 is less certain.
- 6.6. Indicative council tax increases of 4.99% for 2024-25 and 2.99% thereafter have been included. This may include a proportion of Adult Social Care Precept although the Government are yet to publish guidelines on council tax referendum limits beyond 2024-25. Growth in the council tax base has been estimated by using data on expected new homes being occupied over the MTF5 period. A prudent deduction has been made to account for properties that may be delayed or where council tax will not be payable in full, e.g., recipient of CTS. On this basis the growth in council tax base has increased from 1.5% to 3% per year. This results in additional council tax income as shown in the table below.

	2024-25	2025-26	2026-27	2027-28
Council tax base – 1.5% growth	54,126	54,939	55,763	56,599
Council tax base – 3.0% growth	54,927	56,575	58,272	60,020
Increase in council tax base	801	1,636	2,509	3,421
Band D council tax estimate	£1,531.35	£1,577.14	£1,624.30	£1,672.87
Increase in council tax income	£1.225m	£2.580m	£4.075m	£5.723m

7. Budget Risks

- 7.1. There are a number of risks that continue to influence the MTF5 including the following:
- 7.2. **Inflation:** The sharp increase in inflation in recent months has taken longer than expected to unwind back towards the Bank of England target of 2%. Core inflation (excluding food and fuel costs) is continuing to increase even though the overall level of inflation is decreasing. The decrease in inflation is taking longer to realise than forecast and there is a risk that the 2% target will not be met until 2025 or later.
- 7.3. **Interest rates:** The council has an investment and acquisition strategy (IAS) that requires significant borrowing. The Cabinet are presented with regular updates on the Treasury Management Strategy and performance against the targets that have been set.

Interest rates have been increased by the Bank of England in recent months to bring inflation under control and these may increase further and fall slower than previously forecast. Interest rate risks are managed through effective treasury management and the use of fixed rate loans where appropriate.

- 7.4. **Brexit:** The impact on Local Government upon leaving the EU may continue to have significant impacts on funding from Government, especially as the economic, social and financial implications of Brexit and subsequent trade deals become

clearer. There will be a continued assessment of the impact to the council as a result of the referendum vote to leave the EU which could include impacts on interest rates, migration, employment and business.

- 7.5. **Subsidiary Company performance:** The activity and performance of the council's subsidiary companies have a direct impact on the amount of borrowing the council undertakes. The greatest financial risks arise from regeneration activity and development within the Borough. Development schemes that are under construction or in the development pipeline are managed by Be First. Schemes are not presented to Cabinet for approval before due diligence and viability assessments are complete and approved by the officer Investment Panel. Operational residential schemes are managed by Reside. Performance of all council subsidiaries is monitored by the Shareholder Panel against the respective business plan, approved by Cabinet.
- 7.6. **Capacity to deliver approved savings:** If agreed savings are not achieved this will result in overspends and budget shortfalls in future years. Regular monitoring and reporting takes place, however, non-achievement of savings will require compensating reductions and management action to find compensating cost reductions where savings are no longer possible.
- 7.7. **Government funding:** The Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system. These proposals are expected to be delayed by at least another year which carries a high degree of uncertainty into the quantum of Government funding in 2024-25 and beyond. In the light of the extreme uncertainty surrounding Government funding the MTFP has included forecast income in 2024-25 based on current assumptions.
- **Budget and Spending Review:** A Spending Review from the Government is expected in the autumn. It is unclear whether this will be a single year or multi-year Spending Review and therefore whether local government will receive a single year or multi-year Settlement. Our current assumption is that there will be a one-year settlement whilst the Government continues to monitor the economic effect of inflation on the wider economy.
 - **Levelling Up:** Levelling up funding is currently being delivered through grant funding which must be bid for competitively for specific projects. It is unclear what impact the levelling up agenda will have on funding other than to state the fair funding review and business rates reset could be tools to deliver the missions of levelling up.
 - 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. We expect the new funding formula to be used to allocate funding from 2025-26 at the earliest.
 - The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2025-26 at the earliest. It is anticipated that the implementation of 100% business rates retention will be accompanied by additional responsibilities and therefore an increase in the costs borne by Local Government. The details of these responsibilities are to be confirmed.

- The **New Homes Bonus** funding for 2024-25 is expected to be reallocated within other grant allocations from government. It is unclear how the Government will incentivise local authorities to deliver additional housing within the new funding regime.
- The Government are introducing a new **Extended Producer Responsibility** scheme where government will collect a new fee related to packaging usage from retailers and this will be distributed to waste authorities. This scheme is due to be implemented during 2024, although there is little information available to be able to reliably estimate an income stream during 2024-25. Any additional income will be used to offset the anticipated increased costs of waste collection and loss of income from recycled materials.

7.8. **Achievement of Council Priorities:** The strategic framework requires appropriate oversight and governance to ensure it is delivered through effective programme management. Where performance indicators are not on target, corrective action will be required.

7.9. **Commercial Risks** arise from undertaking investments and from action taken by the Council's subsidiaries. These risks can be mitigated through effective due diligence on new commercial investments and continued robust appraisals of subsidiary business plans and forecast returns. The Shareholder Panel monitors the performance of the subsidiaries against their respective business plans and holds the Board of each company to account for the delivery of the strategic and financial objectives. Where planned financial returns are delayed or profitability is reduced there will be a direct cost to the Council to mitigate such losses. It must be noted that the forecast dividend from BDTP of £2.2m each year is unlikely to be received over the course of the MTFS. This shortfall will be covered by the Investment Reserve. Be First have prepaid returns to the Council until 2024-25. From 2025/26, Be First will need to deliver the expected dividend of £10.3m each year. If the dividends are not forecast to be achievable in the company business plans, the council will need to make additional savings to bridge the funding gap.

7.10. **Demand Pressures** arise from changes within the population and economic activity within the Borough. Assumptions on future demand for services have been included in the MTFS. Exceptional demands, particularly as a result of increasing inflation, that emerge will result in spending control within departments or corporate budgets.

7.11. **Pension Fund** risks include changing economic conditions and investment returns less than assumptions in the Pension Fund's investment strategy increases the risk of a deterioration in the Pension Fund's funding position and as a consequence there is a risk of an increase in the employer's contribution.

7.12. **Legislative changes** or the imposition of new responsibilities upon the council without adequate funding remains a risk.

8. Review of Reserves

8.1. Reserves are used to manage risks and are either usable or unusable. Unusable reserves arise from statutory accounting transactions and cannot be used to fund revenue or capital expenditure. This report only considers the Council's usable reserves. The Council's Reserves Policy is included in **Appendix C**.

- 8.2. A review of reserves has been carried out as at 31 March 2023 and balances based on the draft final accounts are summarised in **Appendix D**.
- 8.3. General fund balances are set aside to provide an emergency fund for exceptional circumstances. This fund is reviewed regularly and assessed as a minimum of £12m. Currently, the Council has some £17m in this reserve.
- 8.4. The forward forecast of reserves is maintained by the Section 151 Officer using assumptions on certain investment decisions and no additional budget pressures emerging during the course of the current financial year. A further review of reserves will take place later in the year.
- 8.5. The aim of the Medium Term Financial Strategy is to set out an affordable financial plan that provides for sustainable levels of spending, not dependent upon the use of one-off reserves, whilst providing for a prudent level of reserves for contingencies.

9. Approach to Budget Setting for 2024-25

- 9.1. The Medium Term Financial Strategy identifies a savings requirement of £28.3m by 2027-28. Proposals to meet this savings requirement will be presented to Cabinet in December alongside a public consultation for all proposals members are happy to proceed with as part of the Budget consultation process. The proposals, along with consultation results will be presented again to Cabinet in advance of Assembly in March 2024.

10. Financial Implications

Implications completed by: Philip Gregory, Strategic Director Finance & Investment (Section 151 Officer).

- 10.1. The detailed financial implications have been covered throughout the report. Members are asked to note the revised MTFs position as set out in section 5 of this report.

11. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 11.1. A local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. It must look and plan further and during any financial year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met. Furthermore, the Council is subject to the Best Value duty under the Local Government Act 1999 to secure continuous improvement in an efficient, economic and effective way.
- 11.2. Section 25(1)(a) and (b) of the Local Government Act 2003 requires its Chief Finance Officer (Section 151 Officer) to report on the robustness of the estimates made for the purpose of calculating Council Tax, but more particular to the purposes of this report the adequacy of reserves hence the need for a Reserves

Policy. When considering what level of general reserve to hold applicable legislation includes s.31A, 42 and 43 of the Local Government and Finance Act 1992.

- 11.3. If during the Strategy period there are reductions or changes in service provision as a result of changes in the financial position, the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of any agreed savings options. Relevant legal considerations are identified below.
- 11.4. Whenever there are proposals for the curtailment or discontinuance of a service or services, there will be a need for appropriate consultation. In some cases, this will be prescribed by statute, or by common / case law. For example, if savings proposals will affect staffing then it will require consultation with unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet and proper consideration of human rights. 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.

12. Corporate Policy and Equality Impact

- 12.1. 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.
- 12.2. 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.

- 12.3. There are no new savings proposals that put forward and EIAs have also been carried out for all existing saving to ensure the Council properly considers any impact of the proposal. The Council's transformation programme aims to redesign services to make them more person-centred and focussing on improving outcomes for residents. Therefore, in most cases the proposals have either a positive or neutral impact. However, where a negative impact has been identified, the Council will ensure appropriate mitigations are considered and relevant affected groups are consulted.

Public Background Papers Used in the Preparation of the Report:

- The Corporate Plan 2023 to 2026:
https://www.lbbd.gov.uk/sites/default/files/2023-06/LBBD9185_A4_CorporatePlan23_64pp_MAY23_digital.pdf

List of appendices:

- Appendix A – Medium Term Financial Strategy 2023/24 to 2027/28
- Appendix B – Budget Growth and Savings
- Appendix C – Reserves Policy 2023/24 to 2027/28
- Appendix D – Reserve Balances as at 31 March 2023