

## CABINET

19 February 2024

<b>Title:</b> Budget Framework 2024/25 and Medium Term Financial Strategy 2024/25 to 2026/27	
<b>Report of the Cabinet Member for Finance, Growth 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>Summary</b> <p>This report presents to Cabinet the Council's proposed budgets for 2024/25 for recommendation for approval to Assembly, together with the latest Medium Term Financial Strategy forecasts to 2026/27.</p> <p>The annual budget process is the formal allocation that enables the delivery of the Council's policies and priorities but also complies with the Council's statutory obligations in setting the Council Tax for the following financial year.</p> <p>The delivery of the Council's priorities of value-for-money and living within our means are key themes which underpin the proposed budgets.</p> <p>In line with statutory requirements, Members are required to approve the proposed Band D Council Tax for 2024/25 and to note the Mayor's GLA precept which will be added to this amount.</p> <p>Members should note that the proposed budget includes decisions already taken in relation to the Council Tax Support Scheme 2024/25 and the Fees and Charges 2024 report presented to Cabinet on 23 January 2024 (Assembly 31 January 2024) and 14 November 2023 respectively.</p> <p>Members are also presented with the revised three-year Capital Programme to 2026/27 for recommendation for approval to Assembly together with the Council's proposed Capital Budget for 2024/25.</p> <p>The budget proposals have been developed alongside the Council's revised Capital Strategy and Treasury Management Strategy which are presented as separate agenda items.</p>	

Cabinet is also to recommend to Assembly the approval of the HRA revenue and capital budgets for 2024/25 as well as the Dedicated Schools Budget for 2024/25.

Cabinet should note that the proposed General Fund budget requires a drawdown from reserves of £8.809m to balance the 2024/25 budget after including £15.595m of savings and £54.129m of growth from the 2023/24 revised budget. This report includes the Council's Section 151 Officer (CFO) opinion on the robustness of the budget proposals and the adequacy of reserves given the financial risks that the Council is facing. Members should have due regard for this Section 25 statement, attached at Appendix H, when making their decision.

Cabinet is asked to note the feedback from the budget consultation on savings proposals and that no changes have been made as a result.

Approval is also sought to delegate authority to the Council's Section 151 Officer, in conjunction with the Cabinet Member for Finance, to make amendments to the budget up to £1m, prior to submission to Assembly, for any changes arising from the publication of the final Local Government Financial Settlement.

Cabinet is also asked to note that the proposed budgets include the impact of Barking & Dagenham joining a new tri-borough Business Rates pool with Havering and Thurrock which is now a formally approved arrangement under the Provisional Local Government Settlement.

### **Recommendation(s)**

The Cabinet is asked to recommend the Assembly to:

- (i) Agree that the basic amount of Council Tax (Band D equivalent) shall increase by 2.99%, and by a further 2% for the Adult Social Care precept, bringing the total increase to 4.99%;
- (ii) Agree that the Council Tax to be set for 2024/25 shall be £1,531.35 for a Band D property, which comprises £1,310.70 for core Council Tax and £220.65 for the Adult Social Care precept, an increase of £43.61 and £29.17 per year respectively;
- (iii) Note that the Council shall levy an additional £471.40 on the Band D amount above on behalf of the Greater London Authority which represented an increase of 8.6%;
- (iv) Note the amount of 54,916.54 as the Council Tax Base for Barking and Dagenham for 2024/25, an increase of 1,589.69 on the previous year, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under the Local Government Finance Act 1992 (as amended);
- (v) Agree, in setting the Council's General Fund revenue budget, to set the Council Tax requirement at £84.096m for 2024/25;
- (vi) Consider and have due regard to budget consultation feedback with residents and businesses as set out in Section 20 to the report and note that no changes were recommended as a result;

- (vii) Agree the Statutory Budget Determination for 2024/25 as set out at Appendix D to the report;
- (viii) Approve the proposed General Fund Revenue Budget for 2024/25 as set out in Appendix A to the report, subject to any changes required from the final Local Government Finance Settlement;
- (ix) Delegate authority to the Strategic Director, Resources, in consultation with the Cabinet Member for Finance, Growth and Core Services, to make further changes to the 2024/25 budget proposals prior to the Assembly meeting up to a maximum amount of £1.0m or as determined by the final Local Government Finance Settlement;
- (x) Agree the new savings and growth proposals as set out in Appendix B to the report;
- (xi) Agree that the current budget gap of £8.809m shall be funded from use of reserves for 2024/25 and to note that additional permanent savings proposals shall need to be identified;
- (xii) Approve the latest General Fund Medium Term Financial Strategy 2024/25 to 2026/27 as set out in section 4 and Appendix A to the report;
- (xiii) Note that the proposals maintain a General Fund balance of £12m in line with the Council's approved Reserves Policy (July 2023);
- (xiv) Note the projected reserve balances at 31 March 2025 following the planned use of £8.809m to achieve a balanced budget as set out in Section 19;
- (xv) Approve the Council's provisional Capital Programme, including Investment and Acquisition Strategy (IAS) schemes, for 2024/25 to 2026/27 as detailed section 8 and Appendix G to the report;
- (xvi) Agree to set a Capital Budget for 2024/25 at £209.462m, as detailed in Appendix G to the report;
- (xvii) Approve the Strategy for the Flexible Use of Capital Receipts at Appendix I to the report, in line with the regulatory requirements to facilitate the delivery of efficiency savings including capitalisation of redundancy costs; and
- (xviii) Note the Chief Financial Officer's Statutory Finance Report (Section 25 Statement) as set out in Appendix H and, in particular, their determination of "the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves".

**Reason(s)**

The Council has a legal obligation to set its Council Tax for the following financial year and approve an annual, balanced budget on the advice of the Council's Section 151 Officer. The relevant legal provisions are set out in the Local Government Finance Act

1992. The setting of the budget is a function reserved to Full Council (Assembly) following recommendation for approval by Cabinet.

The Local Government Act 2003 Section 25 sets a specific duty on a local authority's Chief Financial Officer (S151 Officer) to make a statement on their opinion on the robustness of the budget proposals and the adequacy of reserves factoring in the financial risks that the Council will be facing over the next 12 months.

The Council's constitution requires the Assembly to be responsible for the adoption of the Council's Budget and Policy Framework including the level of Council Tax, Revenue Budget and Capital Budget and Programme. Once a Budget or a Policy Framework is in place, it will be the responsibility of the Cabinet to implement it.

## **1. Introduction**

- 1.1. This report sets out the final proposed General Fund Revenue Budget for 2024/25 together with the proposed Council Tax band amounts calculated in line with the Council's council tax requirement. The proposed revenue budget is based on the maximum increase of 2.99% to core council tax being applied as well as the 2% Adult Social Care Precept.
- 1.2. It should be noted that council tax support is a local responsibility and the Council's support scheme is subject to a separate report presented to Cabinet and Assembly in January 2024. This scheme continues to provide a similar level of enhanced support that was given in 2023/24 and will reduce the amount of council tax income. From 2025/26 onwards the Council need to consider the affordability of this enhanced scheme.
- 1.3. As the proposed General Fund expenditure budgets are in excess of income and funding, it has only been possible to achieve a balanced General Fund budget for 2024/25 from a drawdown of reserves of £8.809m to bridge the budget gap.
- 1.4. However, the budget gap has reduced by £14.526m from the £23.33m set out in the Budget Strategy Report presented to Cabinet in December 2023 and details of the key movements between that report and the final budget now proposed are set out below.
- 1.5. This further draw down of reserves is follows significant utilisation of reserves in balancing 2022/23 and the potential need to use general fund reserves to fund the forecast overspend of £9.33m (Period 9). A forecast of the remaining reserves is set out in the relevant section below and Members should have regard to the Section 151 Officer's consideration of the adequacy of those reserves in their Section 25 statement attached.
- 1.6. To underpin its financial sustainability the Council is also required to consider the financial forecasts for following years and approve a Medium-Term Financial Strategy (MTFS). This sets out the Council's approach to the management of its financial resources to meet its Corporate Priorities and assesses any future budget gaps. This allows time for remedial actions to be put in place to address any

forecast gap. This report presents that strategy together with a revised three-year MTFS financial plan (MTFP) to 2026/27.

- 1.7. This report also presents the proposed three-year capital programme to 2026/27 together with the final capital budget for 2024/25. The Council is also required to publish a Capital Strategy which outlines the Council's strategic approach to investment in its assets and demonstrates how proposed investment is aligned with Council priorities as well as how it is both affordable and sustainable. The Capital Strategy underpins the proposed three-year capital programme and budget and is presented as a separate agenda item.
- 1.8. Within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. This is subject to a separate agenda item.
- 1.9. This report also recommends approval to Full Council of the final HRA Revenue and Capital budgets for 2024/25. It should be noted that the sustainability of the HRA is assessed through the formulation of a 30-year business plan. A draft Business Plan was submitted to Cabinet in January 2024, but a final plan will be presented back to Cabinet in March 2024.
- 1.10. The HRA in recent years has come under significant costs pressures from below inflation rent caps mandated by the government, with the cost of the investment required to repair and renew housing rising significantly.
- 1.11. These factors have also been compounded by shortages in the labour force and supply chain difficulties in the building and maintenance industry. Compliance with enhanced fire regulations and new requirements of the consumer standards introduced by the government, are also expected to lead to considerable costs for the HRA as is the need to decarbonize the stock to meet new green targets.
- 1.12. Approval is also sought to recommend to Full Council the Dedicated Schools Budgets for 2024/25 which should be noted has now been formally accepted by the Schools' Forum.

## **2. Background**

- 2.1. The proposed final budgets have been prepared under considerable financial and operational challenges faced by the Council during 2023/24. Macro-economic factors have impacted the Council's finances considerably, with inflation leading to significant cost rises and increases in interest rates slowing down development activity. This in turn has an impact on the Council's subsidiaries.
- 2.2. The wider context within which this Budget and MTFS has been prepared is one of continued uncertainty. The financial sustainability of the Local Government sector continues to be extremely challenging. There have been significant cuts over several years to the Revenue Support Grant from the Department for Levelling Up, Homes and Communities (DLUHC) and whilst headline core spending power has increased, in real terms, funding is still far below what it was over a decade ago.

- 2.3. Local government funding needs urgent reform with formulas for allocation of funding which accurately reflect current and forecast local need. The borough's demographics have changed significantly over recent years with an increasingly younger population but with a working age population that requires greater support across all our services especially social care. Through its Investment and Acquisition Strategy, the Council has significantly increased affordable housing supply within the borough but – as a result of the impact of the pandemic, downturn in the economy including historically higher levels of inflation and a consequent cost of living crisis - more residents require access to council services.
- 2.4. The financial sustainability of the whole of Local Government is under stress and this has been seen by a number of Local Authorities issuing a Section 114 notice, effectively signifying their inability to deliver a balanced budget, and many others warning that they are close to that position.
- 2.5. As is the case across the country, social care funding, particularly adult social care funding and its escalating costs, is a significant challenge for all local authorities, and we continue to see rises in requests for support and assessments, and significant changes in the nature of needs within that ASC care, from older to working age adults, and complexity of that care has increased over the last five years. For example, the number of residents within the learning disabilities service has doubled over 7 years, mostly across younger adults, those 18-30 years old.
- 2.6. For this reason, Barking and Dagenham has faced significant financial pressures during 2023/24 with new, permanent pressures for social care of around £18m in the People & Resilience (PIR) Directorate despite additional funding of c£11m being applied. This pressure has been addressed through the proposed 2024/25 General Fund budget.
- 2.7. However, the Strategic Director for PIR has formulated a robust plan of financial mitigations in place as part of the savings proposals to address key cost drivers including reviewing of care packages, strengthening pathways for increased health funding relating to continuing health care and identifying lesser cost alternatives to care, and an enhanced reablement offer.
- 2.8. A review of General Fund charges to the HRA was undertaken and this has led to a significant reduction in income to the General Fund although conversely will have benefitted the HRA.
- 2.9. Whilst inflation is slowly reducing, the Council is still facing the impact of the recent years' high inflation with a pay award of £7.5m in 2023/24 and significant contract indexation. In summary, delivering key services is costing significantly more due to the high levels of inflation but also because the borough has seen a considerable change in its demographics with much greater complexity of need for users of council services, particularly social care. Whilst, in general the demand for social care is increasing moderately, the level of need and associated costs for existing and new service users is much higher and much more complex.
- 2.10. The combination of these factors has led to significant challenges for the Council in setting a balanced budget for 2024/25 and this report highlights the need to

utilise a drawdown of £8.809m of earmarked reserves to achieve a balanced budget.

- 2.11. In total, £46m of General Fund reserves will have been utilised since 2022/23 to balance the Council's budgets to March 2024. This has significantly reduced the reserves available to assist the Council in managing its MTFS and the inherent financial risks. Details of the forecast remaining reserves can be found in the reserves section. Members should also note the Section 151 Officer's statement on the adequacy of reserves at Appendix H.
- 2.12. Looking at next year and the remainder of the MTFS the Council is likely to be facing further inflationary pressures and has expectations of rising demand for services and/or changes in complexity of need, particularly for social care and housing provision. These financial risks are set out in the relevant section below.
- 2.13. The Budget Strategy Report presented to Cabinet in December 2023 highlighted a potential budget gap of £23m after savings of £10.618m had been identified. There has therefore been a need to identify further savings to reduce the budget gap, but fundamental transformation will be needed to deliver significantly sustainable savings to find permanent solutions for the £8.809m budget gap and underpin the long-term viability of the MTFS.
- 2.14. To facilitate regeneration in the borough and the provision of much needed housing, the Council approved an Investment and Acquisition Strategy (IAS) in 2016. The IAS Strategy was established to be self-financing and had a target ambition of delivering a 5% revenue return to the Council both of which are now at risk.
- 2.15. Rising interest rates impacts on the Council's borrowing costs and in particular on the ambitions of the Council's Investment and Acquisition (IAS) Strategy. Since 2016 the Council has delivered 1,465 units of housing in the borough and a further 2,336 units are also under construction and due to complete over the MTFS period.
- 2.16. An inherent aspect of the IAS, and regeneration more generally, is the length of time it takes from a decision being taken by Cabinet to proceed with a regeneration scheme and the actual delivery of that scheme which exposes the Council to the inherent risks of housing development. Unfortunately, global events in recent years have meant that both these risks have crystallised with significant increases in both construction costs and interest rates.
- 2.17. The rise in interest rates and the high inflation costs within the construction sector have led to a number of schemes costing more than originally planned and new schemes unable to pass the viability assessments. Whilst this has led to a pause on new schemes, there will still be a requirement for the Council to borrow an additional £300m over the MTFS period to fund those schemes which are currently under construction.
- 2.18. As a result of delivering this increased housing supply, the Council holds one of the highest levels of debt compared to other local authorities in the country. Including the additional £300m of borrowing highlighted above is forecast to have peak debt of £1.8bn over the MTFS period. However, whilst this level of debt is

not without financial risks to the Council (see risk section below) the debt is serviced by the Council's subsidiary Reside through formal loan agreements and or net rental income streams direct to the Council.

- 2.19. Under the IAS the Council holds a commercial investment portfolio, predominantly acquired by way of land assembly for regeneration schemes. This portfolio is currently not performing adequately financially, and the Council will be undertaking a strategic review this calendar year.
- 2.20. This review will be carried out in conjunction with external advisors and subsidiaries who will be ensuring that longer term financial forecasting is robust and that early warning triggers of the inability to service debt are in place to allow the Council to take necessary corrective action where needed.
- 2.21. The assets do have a market value and these values are regularly subject to external valuation to ensure that in the event of disposal, the capital receipts are sufficient to cover the cost of borrowing.
- 2.22. The Treasury Management Strategy Statement (TMSS), also provided as part of the same agenda as this report, details the impact of the Council's debt and forecast interest rates together with the proposed borrowing strategy over the MTFS period. The Council's external treasury advisors provide expert support in the development of the strategy.
- 2.23. The adverse conditions in the economy are resulting in more people needing housing support particularly within Temporary Accommodation. Unlike most of the other London Boroughs, the Council is not currently facing a core budget pressure in relation to this and no increase in budget is assumed in the 2024/25 budget due to the Council's housing supply. However, this situation could change and is a significant risk which will need to continue to be closely monitored and managed.
- 2.24. The Council has also established a complex group subsidiary structure, for specific purposes, and services are provided both to and from those subsidiaries. The reduction in activity under the IAS has had a direct impact on BeFirst, the Council's regeneration vehicle. High costs have also impacted on other subsidiary members.
- 2.25. The financial performance of the subsidiaries impacts on the Council's budgets, both in terms of the services provided but also meeting dividend income targets in the General Fund budget and servicing indebtedness. The Council has made a commercial loan to fund an asset in the BDTP group and has made working capital loans to two of its subsidiaries. The financial performance of those subsidiaries impacts on servicing related debt interest costs and being able to repay the capital amounts advanced. There are associated financial risks which are set out in the risk section below.
- 2.26. The proposed General Fund budget will include estimates based on assumptions on factors beyond the Council's control such e.g. pay award and Members should have regard to these assumptions in making their decision. Sensitivity analysis has been modelled on some of these key assumptions and these are included.



- 2.27. In considering their decision to approve the budget, Members should have due consideration to the level of reserves remaining after the proposed budget has been set together with the financial risks that the Council is facing which are also set out below.
- 2.28. Appendix H is the Council's S151 Officer's Section 25 statement which sets out their opinion on both the robustness of the budget proposals and the adequacy of the Council's usable reserves to cover potential financial risks. Members should have particular regard to this statement in their decision.
- 2.29. For 2024/25, the Council has also applied to join a new Business Rates Pool with Thurrock and Havering Councils, and this has now been confirmed through the Provisional Local Government Settlement. The purpose of the pool is to enable the tariff that would otherwise be payable by Thurrock to central government to be retained locally and shared with Barking & Dagenham and Havering.

### 3. Economic Context

- 3.1. On 22nd November 2023, the UK Chancellor's Autumn Statement alongside the Office for Budget Responsibility's (OBR) key economic forecasts which indicated a reduction in inflation projections. The table below sets out CPI forecasts and indicates that inflation peaked at 10% in 22/23 but is expected to reduce to 3% in 2024/25 and then be an average of 1.6% in the following three years:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	10.0%	6.1%	3.0%	1.6%	1.5%	1.8%
Spring Budget 2023	9.9%	4.1%	0.6%	0.0%	0.8%	1.7%
Autumn Statement 2022	10.1%	5.5%	0.0%	-1.0%	0.8%	1.8%
Spring Statement 2022	8.0%	2.4%	1.7%	2.0%	2.0%	

- 3.2. Whilst CPI is the most relevant measure of inflation for local authorities (e.g. HRA rents often linked to this index as well as citizen benefits) a number of the Council's contracts will also include indexation clauses based on RPI. Forecasts of RPI underpinning the Autumn Statement are set out below:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	12.9%	8.3%	4.3%	2.4%	2.6%	2.8%
Spring Budget 2023	12.7%	6.4%	1.2%	1.0%	2.1%	2.9%
Autumn Statement 2022	13.0%	8.3%	0.5%	-0.5%	1.6%	2.7%
Spring Statement 2022	10.3%	3.6%	2.4%	2.6%	2.7%	

- 3.3. The Autumn Statement also outlined certain factors which were relevant to local authorities in England, and these are set out below.
- 3.4. Planned departmental resource spending for the years beyond the current Spending Review period (2025/26 to 2028/29) will continue to grow at 1% a year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme.

- 3.5. Departmental capital spending will follow the cash profile agreed at Spring Budget 2023, with new commitments funded in addition to this, including further support for levelling up programmes and business access to finance.
- 3.6. For 2024-25, the Business Rates small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by September CPI to 54.6p.
- 3.7. The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024-25, a tax cut worth £2.4 billion. Around 230,000 RHL properties in England will be eligible to receive support up to a cash cap of £110,000 per business.
- 3.8. Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.
- 3.9. The government confirmed that Local Government Pension Scheme (LGPS) guidance will be revised to implement a 10% allocation ambition for investments in private equity, which is estimated to unlock £25bn, as well as a March 2025 deadline for the accelerated consolidation of LGPS assets into pools and setting a direction towards fewer pools exceeding £50bn of assets under management. The Statement confirmed certain other measures:
- From April 2024, Local Housing Allowance rates in Great Britain will be raised to the 30th percentile of local market rents;
  - A £5 million extension to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023;
  - An extension to 'thank you' payments into a third year for Homes for Ukraine sponsors across the UK, remaining at £500 per month;
  - The provision of £120 million funding for the devolved administrations and local authorities in England to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.
- 3.10. As highlighted above, the Council will need to undertake significant borrowing over the MTFS period. Latest interest rate forecasts are set out below in 4.23

#### **4. MTFS 2024/25 to 2026/27 principles and assumptions**

- 4.1. The Medium-Term Financial Strategy (MTFS) sets out the Council's high-level approach to financial planning and the management of its financial resources to underpin its continued financial sustainability but also to ensure that its financial resources are aligned with the Council's Strategic plans. The MTFS should highlight all matters affecting its financial position and sustainability over the medium term as well as consider strategic objectives and constraints in finances which may impact on decision making.
- 4.2. To do this effectively, a Council needs to be fully aware of its financial position, and to be successful the Strategy must be owned by the wider organisation and those responsible for decision-making.

- 4.3. The Council's assets should be a key feature of financial planning ensuring any value from those assets is maximised. The financial strategy should consider every opportunity to rationalise its asset base and/or improve returns on capital invested in those assets. For this reason, the Council's Capital Strategy should sit alongside the Medium-Term Financial Strategy and consider future asset investment requirements and/or identify where required investment is not affordable and there is potentially a gap.
- 4.4. Annual budgets, by definition, are short term in nature and so the MTFs provides financial forecasts over the medium term but the further out these forecasts project, the greater the uncertainty with the financial estimates due to the number of factors which are beyond the Council's direct control.
- 4.5. This is particularly true in relation to government funding and without multi-year settlements it is difficult to forecast how government funding will be increased in line with increases in the Council's costs or demand for services. With the impending General Election in 2024, even if there was a change in government, it is unlikely that a new government will be in a position to consider a multi-year settlement in time for 2025/26.
- 4.6. For this reason, although it would be more beneficial to have a 5-year MTFs, the Council's proposed MTFs and financial plan is only for three years (including 2024/25) although there is still inherent uncertainty in the estimates beyond the next financial year.
- 4.7. Due to the inherent risk and uncertainty, the Council's financial strategy should also include sensitivity analysis whereby the impact of changes to the key variables e.g. funding is assessed. This scenario testing allows the Council to make a judgement as to the most likely scenario to underpin its financial planning assumptions and assess the financial impact of different scenarios.
- 4.8. It should be remembered that the Council has finite resources within which to deliver services and meet strategic objectives. Inevitably a decision needs to be made and this decision will need to strike a balance between the relevant service priorities, statutory obligations and funding envelope within the Council must operate.
- 4.9. Whilst the Council exists for the benefit of providing services to residents, balancing the respective needs of those has always been challenging but never more so than now.
- 4.10. Continuing to assess and consider how best to meet the needs of its service users' is a continual process and understanding changing demographics is an important part of this assessment. Changes can impact not just on demand but also the way that users want to access or use Council Services.
- 4.11. For Barking & Dagenham, the Council demographics have changed significantly over the last decade, and this has had a particular impact on the nature of the demand for social care services alongside the significant national challenges regarding the cost of social care placements. The cost of children's residential placements has increased by 69% in five years according to local analysis of placements across this period. A greater proportion of the borough's population is

now much younger, but the Council has seen a significant increase in demand and complexity of support needs for its working age population and this has led to significant financial pressures for the Council.

- 4.12. Funding for social care is based on the adult relative needs formula which does not take account of children's need or use latest relevant data. For the reasons highlighted above, this is unlikely to be addressed over the medium term and therefore the delivery models for these services must be assessed to see how need can be met but within the financial constraints that the Council faces. The census shows that the council has 20,000 more children than 10 years ago, with approximately 50% living in poverty, both factors increasing the numbers requiring additional support across social care, education and SEND.
- 4.13. The latest Barking & Dagenham Corporate Plan 2023-26 sets out the vision of the Council to make Barking and Dagenham a place that people are proud of and where they want to live, work, study and stay, whilst ensuring that no-one is left behind.
- Residents are supported during the current Cost-of-Living crisis.
  - Residents are safe, protected and supported at their most vulnerable.
  - Residents live healthier, happier, independent lives for longer.
  - Residents prosper from good education, skills development and secure employment.
  - Residents benefit from inclusive growth and regeneration.
  - Residents live in and play their part in creating safer, cleaner and greener neighbourhoods.
  - Residents live in good housing and avoid becoming homeless
- 4.14. However, as highlighted above, objectives over the medium term will need to be prioritised to ensure that service delivery is achieved through the approved financial framework. The key principles underpinning the Barking & Dagenham Medium Term Financial Strategy are set out below:
- a) Growth for People & Resources (PIR) Directorate – 2022/23 base budget pressures addressed in full for 2024/25, limited to additional ring-fenced funding thereafter.
  - b) Contingency of an additional £4m to be retained centrally and released to offset unavoidable overspends in PIR during the year but subject to approval by the Council's S151 Officer. If arising, likely to be as a result of rising demand and/or increase in third party providers.
  - c) Planned transformation programme for people services including PIR and Community Solutions as part of the council's emerging Localities model, focusing on prevention activity and assisting residents including social care clients to require less intensive support (details below).
  - d) A council-wide approach to support addressing the drivers and solutions for social care demand. For example, how the council's Housing Strategy can better support older people and those with learning disabilities. Improvements to the digitalisation advice and guidance offer, so people are supported earlier and easier when they need help.

- e) Fundamental review of core structures, operating models and budgets supported by an outcomes-based approach:
- Co-design with users of services – how do people want to use and access our services? Has this changed and are services fit for the population that we have and how they want to interact with us;
  - What is the best way to meet those needs? Is there another way to meet that need aside from Council direct service delivery;
  - What are the modern and most effective operating models to deliver the service? How do these need to change?
  - Do we need to invest to deliver changes and, if so, what investment will bring us maximum benefit?
  - What staffing structures do we need to deliver those new operating models; and finally;
  - How do the net expenditure budgets need to change and how can we reduce our cost base or increase our income?
- f) Fundamental review of the Council's subsidiary structures, taking stock and looking at why those structures were established, their purpose and benefit? Has anything changed and the objectives been achieved? If not, how do we need to change?
- g) Fundamental review of the Council's Investment & Acquisition Strategy (IAS) with the same principles as in (e) above but with an additional objective of de-risking the IAS Asset Portfolio should that be required. Also reviewing financial forecasting ensuring that it is robust and gives assurances over the ability for IAS schemes to meet the Council's borrowing costs and then any corrective action can be taken where necessary.
- h) Strong focus on the Council's borrowing strategy to underpin the IAS borrowing, working closely with Council advisors, to ensure that future required borrowing to complete existing schemes is affordable and any risk to increased General Fund costs is mitigated.
- i) Comprehensive Asset Management Strategy is developed to ensure that the Council is using its assets in a way that brings maximum benefit to the Council as a whole. This will include rationalising the asset base as appropriate or repurposing assets for alternative use and underpinned by up-to-date, independent stock condition surveys.
- j) Future reductions in the local Council Tax Support Scheme (CTRS) - to help with the cost-of-living crisis, the Council agreed to an enhanced council tax support scheme to help its residents cope with this crisis. It is proposed that this level of support will continue in 2024/25 but will need to be reduced for the remainder of the MTFS.
- k) Fees & Charges income – the Council will seek to ensure that it achieves full-cost recovery on the services that it provides whilst remaining competitive where relevant.

- l) Lobbying for funding – central government funding methodologies have different impacts for individual local authorities. Barking and Dagenham has residents with a high level of need for council services and with less financial means to pay for services. Funding methodologies do not currently take into account current or changing local need. It is vital that any new government understands this, and that Barking & Dagenham continue to undertake proactive lobbying. Together with having a fast-changing population, Barking and Dagenham has the highest proportion of deprived households in the country; the second highest proportion of multi-family households; and the third highest proportion of households renting their home from a Registered Social Landlord. It also has the highest rate of excess weight amongst children; is in the worst quintile for excess weight amongst adults and life expectancy; and the 7th highest level of unemployment (2021 Census). And when compared with the 47 poorest northern metropolitan councils (represented by SIGOMA, the special interest group in the Local Government Association) Barking and Dagenham has a higher percentage of employed residents in receipt of Universal Credit and a significantly higher percentage & of older residents in receipt of pension credit and Housing Benefits. All of this makes Barking and Dagenham more like a bit of the north in the south combined with being part of a fast-changing and young East End (of London).
- m) Evidence & Insight – having and using robust evidence and insight will be fundamental over the medium term. From robust in-year budget monitoring, identifying, and managing core cost drivers, to understanding how our costs compare to the level of services, evidence and insight will be key to managing the Council finances.
- n) Supply chain and partners – the Council works with many commercial suppliers and trusted partners, such as the NHS. It is important the Council continues to maintain strong relationships with those that support us in meeting the needs of our citizens and residents and that they understand our financial position and constraints.
- o) For suppliers, the Council's policy to support alignment with the London living Wage will be considered on a contract-by-contract basis, in consultation with the relevant Strategic Director and Portfolio Holder.

4.15. The table below sets out a summary of the medium-term financial plan (MTFP) to accompany the MTF5.

## Medium Term Financial Plan (MTFP) Summary 2024-27

2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
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<b>Net Cost of Services</b>	<b>194.460</b>	<b>221.745</b>	<b>233.989</b>
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### Changes to Prior Year Budget

Savings - Existing (Feb 20233)	(0.571)	(0.272)	(0.150)
Pre-agreed Growth (Feb 2023)	6.549	3.872	4.386
Savings- New	(15.024)	(0.826)	(0.834)
Growth - New	39.708	0.770	0.834
Inflation	7.872	8.700	8.800
Budget Re-allocation*	(11.249)		
<b>Net Budget Requirement</b>	<b>221.745</b>	<b>233.989</b>	<b>247.025</b>

### Core Funding

Revenue Support Grant	(22.258)	(22.926)	(23.293)
NDR	(22.872)	(23.302)	(23.675)
NDR Top Up & S31 Grants	(38.575)	(62.421)	(63.420)
S31 Grants and Other Admin Grants	(15.796)		
BRR Pooling	(1.000)	(1.000)	(1.000)
2023/24 Top Adjustment	(0.072)		
Council Tax	(84.096)	(88.462)	(94.135)
(Surplus)/Deficit on Collection Fund	(0.042)		
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	(3.995)
Services Grant	(0.367)	(0.367)	(0.367)
Social Care Support Grant	(19.823)	(19.823)	(19.823)
Additional Social Care Support Grant	(1.900)		
New Homes Bonus	(2.140)		
<b>Total Core Funding</b>	<b>(212.936)</b>	<b>(222.296)</b>	<b>(229.708)</b>

<b>Cumulative Budget Deficit/(Surplus) Before Reserve</b>	<b>8.809</b>	<b>11.693</b>	<b>17.317</b>
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<b>Contribution To Reserve / (Drawdown From Reserve)</b>	<b>(8.809)</b>		
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<b>Cumulative Budget Deficit/(Surplus) After Use of Reserve</b>	<b>0.000</b>	<b>11.693</b>	<b>17.317</b>
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\*Budget Movement - Movement of HB Admin Grant & subsidiary dividend income from core funding to net cost of service

4.16. As can be seen from the table the gap for 2024/25 is £8.809m and this increases cumulatively to £17.317m in 2026/27. At current service and cost levels the Council's budget will be unsustainable and new robust savings will need to be identified with urgency to deliver a longer-term sustainable budget. The proposed actions are as set out in the Medium Term Financial Strategy principles and in the savings section below.

4.17. In Barking & Dagenham the highest proportions of its net revenue expenditure budget allocated to the People and Resources (Adults and Childrens) Directorate (59% for 2023/24 and 60% now proposed for 2024/25). The planned increases for

2024/25 are not currently affordable and are dependent on finding significant additional Council savings to fund these budgets on a permanent basis.

- 4.18. Going forward, any further increase to these budgets, over and above the additional funding provided within the Local Government Financial Settlement, will simply not be affordable and therefore no additional growth in the MTFP has been included above the increased in ring-fenced funding levels.
- 4.19. Although Council Tax provides much-needed additional income it is insufficient to bridge the funding gap beyond requiring a referendum as laid down in legislation. At the same time, we have seen a growing number of Councils issuing Section 114 notices or seeking Capitalisation Directions from the Department for Levelling Up, Housing and Communities, or publicly stating that they are heading towards one of these. These are not normal times.
- 4.20. As highlighted below, the Council is looking at an asset rationalisation programme but would need to be satisfied that this would generate sufficient capital receipts otherwise the Council would need to borrow to fund the Capital Directive.
- 4.21. Whilst the budget for next year and MTFFS is based on known available information at the time of setting the budget, there are inherently a number of estimations and assumptions which are applied in the financial forecasts. Examples are estimates of inflation and base interest rates.
- 4.22. There will always be an element of judgement in the estimation of these variables and the Council uses the services of professional advisors where expert skills are needed and/or historic trend analysis. It is possible that these estimates may prove to be inaccurate, but this is an inherent risk in financial forecasting.
- 4.23. The table below provides details of these assumptions and estimations that have been used in formulating the Council's budget for next year and the overarching MTFFS.

Item	24/25	25/26	26/27	Explanation
<b>Expenditure</b>				
Pay award	3.00%	2.00%	2.00%	This reflects the net agreed average increase across all pay grades in 2023/24 with similar pressure on pay expected in future years. This allocation will be under review with further economic data being released over coming months
Employers National Insurance	13.80%	13.80%	13.80%	Assumed will remain consistent with 2023/24, subject to Chancellor's Budget.
Employers Pension Contributions (payroll rate)	22.00%	22.00%	22.00%	2026/27 may change as a result of the triennial valuation.
Interest Cost	5.0%	4.3%	4.1%	This reflects the current 25-year PWLB rates, provided by Link Group.
<b>Funding</b>				
Council taxbase (after council tax reduction scheme)	84,096	88,462	94,135	
Increase in CT Base	3.0%	1.5%	1.4%	



Budgeted collection rate (%)	97.5%	98.0%	98.0%	
Band D (standard) (%)	2.99%	2.99%	2.99%	
Band D (adult social care precept)%	2.00%	2.00%	2.00%	
Council Tax Bad Debt Provision	5.00%	4.00%	4.00%	Considered reasonable with the projected balance of arrears

## 5. Sensitivity analysis

- 5.1. As highlighted in the MTFs, where estimates are used in financial forecasting it is deemed good practice to carry out sensitivity analysis of the key variables within the proposed budgets to understand what the financial impact could be of different scenarios in reality. The table below demonstrates shows what the impact of alternative scenarios would be on the Council's budget gap for 2024/25.

Risk	Financial Impact	Likelihood
<b>Pay Inflation</b> – Whilst inflation has reduced considerably over the past few months there level of inflation is still above Bank of England's target of 2%. High inflation, particular more than those assumed in Council's budgets, would result in higher costs that could remain unfunded.	Total provision in the Council's budget for pay is £3.7m. This represents an estimate of a 3% pay award for 2023/24. If this were to increase or decrease by 1% the financial impact would be an increase in budget requirement of £1.2m and a decrease in budget requirement of £1.2m based on known staffing structures at this time.	It is difficult to predict with certainty where inflation will end up during 2024/25. However, over the past 12 months it has reduced considerably, and the government's target is for this to be c2%
<b>Council's borrowing costs -</b>	A 1% increase in assumed borrowing costs could lead to £3.3m of additional costs and a 1% decrease could lead to £3m reduction in costs.	This risk is being managed through a revised Borrowing Strategy formulated in collaboration with the Council's external treasury advisors.
<b>Council tax</b>	A 1% increase in Council Tax would generate an additional £840k and a 1% decrease would reduce funding by £840k.	

## 6. Funding

- 6.1. The Council has five main sources of funding although only the last two sources are within the Council's direct control:
- Central Government and other grants
  - Council Tax
  - Business Rates
  - Fees & Charges
  - Reserves
- 6.2. Each year the Local Government Finance Settlement is announced with the provisional settlement usually announced after the Autumn Statement before Christmas (to allow for consultation) and the final settlement towards the end of January or early February.

- 6.3. The final settlement was announced on 5<sup>th</sup> of February 2024 and the impact is currently being worked through. There will not be any significant changes to the budget proposals. There will be a small increase in funding which will be taken into account in the final report to Assembly.
- 6.4. This report seeks approval to delegate authority to the Council's Section 151 Officer (in consultation with the Cabinet Member for Finance) to amend the proposed budget by up to a £1m prior to submission to Assembly for approval.

## 7. Local Government Finance Settlement

- 7.1. It is widely acknowledged that the funding of local authorities needs radical, urgent reform. As part of this, fair funding is also needed to reflect the borough's significantly higher population and increased needs. Recent trends have been for one year only settlements and the Provisional Local Government Finance Settlement (PLGFS) for 2024/25 which was announced on 18th December 2023 is again for one year only.
- 7.2. With a general election due to take place in 2024 and no certainty of funding beyond next year, it makes it extremely difficult for the Council to financially plan for the medium term.
- 7.3. The provisional 2024/25 Local Government Finance Settlement was published on Monday, 18<sup>th</sup> December 2023 and the Final Settlement was issued on 5<sup>th</sup> February 2024. Overall Core Spending Power (CSP) will increase by 7.5% across England.
- 7.4. This compares to a real terms funding increase for Local Government of 9.2% in 2023/24 Settlement. However, despite the overall increase, CSP for London Boroughs will remain c18% below 2010 levels in real terms.
- 7.5. PLGFS provided detailed draft allocations of funding which had been provided in the Autumn Statement at a national level. Key highlights from the PLGFS for local authorities are:

### Core Funding:

- a) **Council Tax** - Council tax referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept.
- b) **Settlement Funding Assessment** - The September CPI figure of 6.7% has been applied to increase the local government funding amount within the business rates retention scheme and Revenue Support Grant.
- c) **Local Government Funding Reform** - No announcements were made regarding funding reform

### Specific Grants:

- a) **Social Care Grant** - increased in line with December 2023 Policy Statement by £692m to £4,544m
- b) **Improved Better Care Fund** - funding remains at £2,140m
- c) **ASC Market Sustainability and Improvement Fund** - funding increase of £283m (from £562m to £845m)
- d) **ASC Discharge Fund** - increased by £200m to £500m
- e) **New Homes Bonus** - 2024/25 allocations have remained at £291m

- f) **Funding Guarantee** - cost of the 3% funding guarantee has increased by £64m from £133m to £197m for 2024/25.
- g) **Services Grant** - reduced from £483m to £77m, a reduction of £406m.

7.6. It should be noted that this announcement was after the publication of the draft budget proposals presented to Cabinet on 19<sup>th</sup> December 2023 in the Budget Strategy Report. This report was also presented to Overview and Scrutiny Committee on 24<sup>th</sup> January 2024.

7.7. The key implications of the PLGFS for Barking and Dagenham are set out in the tables below which shows the changes in funding from 2023/24 to 2024/25 and also the changes from the funding estimates assumed in the draft budget published in December 2023.

	Final Settlement 2023/24	Provisional Settlement 2024/25	Final Settlement 2024/25	Final Budget 2024/25	Increase/ (Decrease) in Funding 23/24 to 24/25	Increase/ (Decrease) in Funding Final Budget to Final Settlement
	£m	£m	£m	£m	£m	£m
RSG	(20.563)	(22.258)	(22.258)	(22.258)	(1.696)	0.000
NDR	(21.334)	(25.700)	(24.167)	(22.872)	(2.833)	1.294
NDR Top Up and S31 Grants	(38.837)	(38.575)	(38.575)	(38.575)	0.262	0.000
(Surplus)/Deficit on Collection Fund				(0.042)	0.000	(0.042)
BRR Pooling				(1.000)	0.000	(1.000)
Council tax	(77.781)	(83.045)	(82.920)	(84.096)	(5.139)	(1.177)
S31 Grants and Other Admin Grants	(10.196)	(11.700)	(11.724)	(15.796)	(1.528)	(4.072)
2023-24 Top Up Adjustment		(0.072)	(0.072)	(0.072)	(0.072)	0.000
Grants Rolled In	(1.388)				1.388	0.000
Market Sustainability & Fair Cost of Care Grant	(2.138)	(3.995)	(3.995)	(3.995)	(1.857)	0.000
Services Grant	(2.334)	(0.367)	(0.403)	(0.367)	1.931	0.036
Social Care Support Grant	(16.627)	(19.823)	(21.725)	(19.823)	(5.098)	1.902
Additional Social Care Grant				(1.900)	0.000	(1.900)
NHB	(1.938)	(2.140)	(2.140)	(2.140)	(0.202)	0.000
<b>Total Core Funding</b>	<b>(193.136)</b>	<b>(207.675)</b>	<b>(207.979)</b>	<b>(212.936)</b>	<b>(14.844)</b>	<b>(4.959)</b>

	BSR	Provisional Settlement	Final Budget	Increase/ (Decrease) in Funding BSR to Provisional Settlement	Increase/ (Decrease) in Funding Provisional to Final Budget
	£m	£m	£m	£m	£m
RSG	(22.274)	(22.258)	(22.258)	0.016	0.000
NDR	(25.062)	(25.700)	(22.872)	(0.638)	2.828
NDR Top Up and S31 Grants	(38.601)	(38.575)	(38.575)	0.026	0.000
(Surplus)/Deficit on Collection Fund	2.821		(0.042)	(2.821)	(0.041)
BRR Pooling	(1.000)		(1.000)	1.000	(1.000)
Council tax	(80.973)	(83.045)	(84.096)	(2.072)	(1.052)
S31 Grants and Other Admin Grants*	(10.681)	(11.700)	(15.796)	(1.021)	(4.096)

2023-24 Top Up Adjustment		(0.072)	(0.072)	(0.072)	0.000
Market Sustainability & Fair Cost of Care Grant	(3.215)	(3.995)	(3.995)	(0.780)	0.000
Services Grant	(2.333)	(0.367)	(0.367)	1.966	0.000
Social Care Support Grant	(19.716)	(19.823)	(19.823)	(0.106)	0.000
Additional Social Care Grant			(1.900)	0.000	(1.900)
NHB	(1.938)	(2.140)	(2.140)	(0.202)	0.000
<b>Total Core Funding</b>	<b>(202.972)</b>	<b>(207.675)</b>	<b>(212.936)</b>	<b>(4.704)</b>	<b>(5.261)</b>

\*S31 Grants reported at BSR was 5.1m, adjusted for NHB Top Slicing and to accommodate last minute adjustments

#### **To note:**

##### **Council tax**

At the time of preparing the initial reports, the Council Tax base had not been calculated and estimates were being based on the 2023/24 tax base.

The calculation of the 2024/25 council tax base resulted in the increase in Council Tax Base by 3% (which is 1,589.7 band D equivalent properties) when compared to 2023/24. This contributes £2.4m to the increase in Council tax income.

##### **S31 grants**

The S31 grants estimates that was released as part of settlement was based on 2023/24 estimates done in January 2023.

The 2024/25 budget figures have been calculated based on the new methodology put in place by Central Government and with more up to date information from the council's systems. This has led to the increase recorded in the amount of grant receivable.

##### **Additional Social Care Grant**

On 24th January 2024 the Government announced increased funding of £500m for adults and children's social care, of which £1.9m is estimated for London Borough of Barking & Dagenham.

## **8. Council Tax, Business Rates and the Collection Fund**

- 8.1. The statutory calculations of the proposed Council Tax for each property band and the formal Council resolutions required under the 1992 Local Government Finance Act will be reported to Council on 19th February 2024 for approval.
- 8.2. In light of the uncertainty around council tax collection rates with the cost-of-living crisis and high inflation currently being experienced, modest growth of £0.500m each year in property growth, as measured by Band D equivalents is being forecast for the future years in the MTFs period. This growth should be achievable and reduces the risk of setting council tax income targets which could prove unachievable leading to material deficits on the Collection Fund. The impact of the growth is shown in the table below.
- 8.3. The council tax base is the number of properties in Bands A-H in the borough expressed as an equivalent number of Band D units. At its last meeting on 23 January, Cabinet approved the 2024/25 Council tax base, calculated according to the relevant procedures and guidance, at 54,916.54 Band D equivalent properties. This being the gross tax base of 56,324.66 less a 2.5% bad debt provision.
- 8.4. The Council proposes to increase Council Tax by 4.99%. This includes 2.99% for general spending and a further 2% that is specifically ringfenced as an adult social

care precept. This will increase the level of Council Tax from £1,458.57 to £1,531.35 (an increase of £72.78) for a Band D property.

- 8.5. The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £37.26 (8.6%) for a Band D property, changing the charge from £434.14 to £471.40. This increase comprises of £20 for TfL, £13 for the Met Police and £4.26 for the London Fire Brigade.
- 8.6. The combined amount payable for a Band D property will therefore be £2,002.75 for 2024/25, compared to £1,892.71 in 2023-24. This is a total change of £110.04. The Council continues to provide an enhanced Council Tax Support Scheme in order to increase support for local residents on the lowest incomes.
- 8.7. The full breakdown of 2024-25 council tax by band is as follows:

	A	B	C	D	E	F	G	H
Council tax	873.80	1,019.43	1,165.07	1,310.70	1,601.97	1,893.24	2,184.50	2,621.40
ASC	147.10	171.62	196.13	220.65	269.69	318.72	367.75	441.30
<b>LBBD</b>	<b>1,020.90</b>	<b>1,191.05</b>	<b>1,361.20</b>	<b>1,531.35</b>	<b>1,871.66</b>	<b>2,211.96</b>	<b>2,552.25</b>	<b>3,062.70</b>
GLA	314.27	366.64	419.02	471.40	576.16	680.91	785.67	942.80
<b>Total Council tax</b>	<b>1,335.17</b>	<b>1,557.69</b>	<b>1,780.22</b>	<b>2,002.75</b>	<b>2,447.82</b>	<b>2,892.87</b>	<b>3,337.92</b>	<b>4,005.50</b>

## 9. National Non-Domestic Rate (NNDR)

- 9.1. In October 2023, the Central Government agreed the Non-Domestic Rating Act. The Bill is wide ranging but the most significant changes as it relates to the Business rates income budget, is the proposal to change the ways that business rates multipliers will be calculated and applied from 2024/25. The changes proposed:
- a) Index the multipliers to the annual change in CPI (instead of RPI, as at present)
  - b) De-couple the small and standard multipliers - Breaking the statutory link between the multipliers is one of the drivers of the changes introduced by the Bill. Both multipliers are currently indexed (or under-indexed) by the same amount. In future, however, Ministers would have the discretion to treat the multipliers differently – that is, to index one by CPI, whilst freezing, or under-indexing the other; or to under-index them both, but by different amounts.
  - c) The council's system was updated in line with these changes and the data required was extracted to prepare business rates estimates. In total 2024-25 business rates income increased by about 4.7% and the council's share of 30% is about £22.9m.

## **10. Business Rate Pool**

- 10.1. On 5 September, the Business Rates Operations and Local Government Finance Settlement Teams wrote to local authorities to invite them to pool business rates for 2024/25.
- 10.2. The Council was approached by Thurrock Council to enter into a new business rates retention pooling arrangements with another local authority – the London Borough of Havering.
- 10.3. On 9 October 2023, Cabinet gave approval for the Council to join this tri-borough Business Rates Pool from 2024/25 which will bring into the council an estimated benefit/gain of £1m, although this is not guaranteed. This arrangement was confirmed in the Provisional Local Government Finance Settlement.
- 10.4. Aside from receiving the pooling gains, Barking and Dagenham's roles would not change as per the current arrangements. It would collect its own business rates and receive its Top Up grant as it currently does.

## **11. Fees & Charges**

- 11.1. On 14 November 2023, Cabinet approved a report which detailed the proposed fees and charges increases to apply from 1 January 2024. Going forward the Council is proposing to align this report with the Council's budget setting and for any changes to proposed fees and charges to apply from 1 April.
- 11.2. In conducting the review for the report, it became evident that further work would be needed to ensure that any charges or fee income is made on a full-cost recovery basis. This is a complex piece of work which needs to take account of any relevant market for fees, demand for those services and the changing costs of the Council's base budgets.
- 11.3. An independent review of fees & charges was commissioned during January 2024 and this has highlighted certain areas for focus and officers will now be looking at these areas. There may be the need to bring proposals forward to increase certain fees & charges during 2024/25 as a separate decision report.
- 11.4. Any such proposals will need to be in line with statutory rules and consultation requirements. Going forward the fees & charges report will accompany the main budget report in February of each year, for any changes to fees to apply from 1 April of the following financial year.

## **12. General Fund Revenue Budget for 2024/25**

- 12.1. The Council's approach to setting the budget has followed the incremental approach whereby the prior year budgets (2023/24) were rolled forward and then adjusted for growth bids and savings proposal. The process ensured that any inherent risk in the budgets was mitigated as far as possible. The table below is a summary by directorate.

Directorate	Budget 2023/24 £m	Reversal of Temp Virements £m	Pay Award 2023/24 £m	Revised Budget 2023/24 £m	Total Growth & Inflation £m	Total Savings £m	Budget Re-allocation £m	Budget 2024/25 £m	% Movement
PEOPLE & RESILIENCE	116.958	(0.063)	2.686	119.581	19.908	(6.880)		132.609	10.89%
CORPORATE MANAGEMENT	16.148	0.063	0.800	17.011	1.523	(1.171)		17.363	2.07%
LAW AND GOVERNANCE	6.513	0.116	0.661	7.290	1.256	(0.722)		7.824	7.33%
STRATEGY	9.756		0.419	10.175	1.266	(1.245)		10.196	0.21%
INCLUSIVE GROWTH	1.078		0.232	1.310	0.108	(0.246)		1.172	-10.53%
COMMUNITY SOLUTIONS	14.461	(0.116)	1.184	15.529	2.794	(1.720)	(0.859)	15.744	1.39%
MY PLACE	4.448		1.510	5.958	2.056	(3.611)		4.403	-26.10%
<b>DIRECTORATE TOTAL</b>	<b>169.362</b>	<b>0.000</b>	<b>7.492</b>	<b>176.854</b>	<b>28.911</b>	<b>(15.595)</b>	<b>(0.859)</b>	<b>189.311</b>	<b>7.04%</b>
CENTRAL EXPENSES	34.896	(5.696)	(7.492)	21.708	25.218		(10.390)	36.536	68.31%
IAS	(5.256)	1.154		(4.102)				(4.102)	0.00%
<b>TOTAL</b>	<b>199.002</b>	<b>(4.542)</b>	<b>0</b>	<b>194.460</b>	<b>54.129</b>	<b>(15.595)</b>	<b>(11.249)</b>	<b>221.745</b>	<b>14.03%</b>

- 12.2. Following the updated MTFs that was presented to Cabinet in July 2023 and the 2023/24 £15m overspend which was forecast at Quarter 1, it became clear that radical and urgent action was needed to balance the current year budget and enable a balanced budget to be set for 2024/25.
- 12.3. The Council embarked on two savings rounds to identify ways to reduce expenditure or increase income where possible. A Star Chamber process (see savings section below for details) and a further October savings round which has generated total permanent savings of £10.047m for 2024/25.
- 12.4. These savings were included in the Budget Strategy report, presented to Cabinet in December 2023, leaving a residual £23.3m budget gap for the next financial year. Given the size of the gap, further work has since been done to refine key assumptions and find additional savings.
- 12.5. The Government has also issued the PLGFS and subsequently announced additional funding for social care, following feedback from the consultation on the PLGFS (which Barking & Dagenham responded to). Overall, the combination of the reviews and the financial settlement has reduced the gap from £23.335m to £8.809m for 2024/25.
- 12.6. Further plans are also well underway to deliver further savings to bridge the budget gap on a permanent basis, which is vital given the Council's reduced levels of reserves. Whilst details and estimates of savings are not at a sufficiently mature stage to include as an actual saving in the budget, details of the actions being taken are contained in the savings section below.
- 12.7. For 2024/25, a total of £20m of growth has been allocated to the People and Resilience Directorate compared to the c£8.5m of additional ring-fenced funding (including the late announcement of additional funding in relation to social care which has been estimated at c£1.9m for Barking & Dagenham).

- 12.8. However, financial modelling suggests that modest increases in demand and/or changes in need could lead to significant additional cost pressures. Market care providers were given substantial increases, ranging upwards of 16% for 2023/24 and, with inflation now falling, the Council will be holding a firm line in discussions with providers to minimise any further cost uplifts.
- 12.9. To manage both of these financial risks a further £4m contingency budget has been established. This will be retained centrally, to be released in-year to offset any overspends in the People & Resilience Directorate but on a business case basis only and subject to S151 Officer approval.
- 12.10. Growth bids were not permitted unless they were to address 2023/24 base budget core pressures approved by robust business case. Bids for contract inflation were not permitted with any increases to be managed with the supplier or absorbed within overall budget envelopes. Appendix B details the savings and growth proposals that have been included in the proposed budget for 2024/25.
- 12.11. Whilst central government funding has increased for 2024/25 (details above) and the Council has identified a total of £15.595m of savings, £54.129m of growth is required and this has led to a budget gap of £8.809m.
- 12.12. The table below shows the movement from the revised 2023/24 net budget to the proposed 2024/25 net budget.

	<b>Budget 2023/24 £m</b>	<b>Growth £m</b>	<b>Inflation £m</b>	<b>Savings £m</b>	<b>Budget Re- allocation* £m</b>	<b>Base Budget 2024/25 £m</b>
Total Council	194.460	46.257	7.872	(15.595)	(11.249)	221.745

*\*Budget Movement - Movement of HB Admin Grant & subsidiary dividend income from core funding to net cost of service*

- 12.13. It is proposed in this report that the budget gap be funded by a further drawdown of reserves. However, if the current year (2023/24) forecast overspend materialises then this will also need to be funded from reserves, leaving usable reserves at significantly reduced levels. In approving a decision to use reserves to balance the 2024/25 budget due regard should be given to the reserves section below and the S151 Officers statement on the adequacy of reserves.
- 12.14. It should be noted that there is no revenue contingency budget within the 2023/24 base budgets. For 2024/25 a small contingency budget of £1.5m has been created, the allocation of which will be agreed by the S151 Officer.
- 12.15. Details of the budget allocations across Directorates and Corporate budgets can be seen in the Summary by Directorate table in 12.1. This budget represents a £27.285m increase in net budget to services compared to 2023/24 and continues to show the Council's commitment to supporting its community.



### 13. Savings

- 13.1. As highlighted above, the Council has been working hard to identify efficiencies and cashable savings with a total of £15.595m of savings included in the proposed 2024/25 General Fund budget.
- 13.2. The council appointed a permanent CEO in May 2023 and significant action has been taken (prompted by the Quarter 1 forecast overspend of £15m), to identify savings to both mitigate the forecast overspend and to identify permanent budget savings to underpin the 2024/25 budget. A Star Chamber process took place in September with all Directors subject to challenge sessions Chaired by the Portfolio Holder for Finance, along with the Chief Executive and the new interim S151 Officer (appointed in July 2023).
- 13.3. Savings were identified during this process, but all directors were asked to go away and find further savings and a second round of savings submissions were considered at the end of October 2023. Savings identified at this stage were included in the Budget Strategy Report which was published in December and have been subject to public consultation. However, intensive work has been continuing to explore more options for savings including:
- Reviewing all vacant posts with retention being subject to a business case and approval by the Chief Executive;
  - Reviewing staffing structures under the scrutiny of a Workforce Board which will lead to compulsory redundancies;
  - Looking again at the proposed fees & charges for 2024/25 with a view to increasing these further where full cost recovery is not being achieved;
  - Reviewing discretionary services with a view to ceasing certain activity;
  - Reviewing levels of statutory services provided to see if a lower level of service could be provided but not compromising need for recipients of services.
  - Service Directors were asked to look again for further savings options so that total savings identified for each Directorate equalled at least 10% of their 2023/24 net revenue budget.
  - A new Localities transformation project to impact on prevention at a local level.
- 13.4. Councils like Barking and Dagenham with high levels of deprivation have faced rising demands for services because of growing poverty. At the same time as this they have had to find significant savings as part of a squeeze on public finances.
- 13.5. In response, in 2016 Barking and Dagenham combined a number of services under one roof to secure nearly £50m of savings. However, since then demand has continued to rise and deprivation has increased. This demonstrates the need for reform of the council's prevention model so that it drives down need alongside costs as part of a savings programme.
- 13.6. Some additional savings have already been identified and are highlighted in blue in the savings table. As these savings were not identified prior to the publication of the Budget Strategy Report, they have not been subject to public consultation, although not all of them will require this. Furthermore, some of the proposals are

currently still at a very high level of scope and will require much greater granular levels of details to inform an Equalities Impact Assessment.

- 13.7. Once the savings identified have sufficient levels of details required to undertake public consultation and the completion of an Equalities Impact Assessment, these will be undertaken separately. These savings will also be subject to a separate Cabinet decision.
- 13.8. For savings identified, it will be vitally important that these savings are delivered as planned. Whilst an assessment of the robustness of the earlier savings has been undertaken as part of the budget setting process, some of the proposals do have inherent risk in their delivery and are dependent on significant service transformation and/or other measures.
- 13.9. The savings are broad, and they consider both pay as well as non-pay budgets. Appendix B details the range of savings across all Directorates with a summary of total savings per Directorate provided below.

Directorate	Pre-agreed Savings £m	Savings - New £m	Net Savings £m	% Savings against Budget
Community Solutions	(0.150)	(1.570)	(1.720)	11.89%
Inclusive Growth		(0.246)	(0.246)	22.83%
Law & Governance		(0.722)	(0.722)	11.07%
My Place*	(0.215)	(3.396)	(3.611)	81.18%
People and Resilience		(6.880)	(6.880)	5.88%
Resources	(0.056)	(1.115)	(1.171)	7.25%
Strategy	(0.150)	(1.095)	(1.245)	12.76%
	<b>(0.571)</b>	<b>(15.024)</b>	<b>(15.595)</b>	<b>8.02%</b>

\*Calculated on net revenue budget – The gross expenditure budget is offset by Parking and HRA fixed recharge income.

- 13.10. The savings proposals have been developed by services and form part of the Council's Service plans for the forthcoming financial year. The delivery of agreed savings is essential to deliver a balanced budget for 2024/25 and beyond.
- 13.11. For 2024/25 a Financial Scrutiny Board, chaired by the Chief Executive, will be established to closely monitor progress on the delivery of savings. Although already a constitutional requirement, Strategic Directors will be required to operate within their budget envelopes and deliver alternative savings should planned savings prove undeliverable. Strategic Directors have been asked to formally sign-off their proposed budgets for 2024/25 in line with the principle above and have given assurance statements to this effect.

## 14. Growth

- 14.1. Any requests for growth have been subject to a challenge process and only accepted where this relates to an uncontrollable pressure within the 2023/24 base

budgets or where growth has previously been agreed as part of a business approval.

- 14.2. Growth for contract inflation has not been given this year and budget holders have been instructed that any contract increases will need to be managed with the overall budget envelopes. This is not without risk.
- 14.3. The table below is a summary of total growth per Directorate. Appendix B details the proposed growth items for the 2024/25 budget with the most significant item being the £20m of growth for the People and Resilience Directorate to address the full year impact of their current social care packages. Modelling has been undertaken to forecast the impact of increases in demand or changes to care support packages and this has indicated that there is the potential for an additional £8m of growth to be needed. It is noted that forecasting in this area has not been as developed as it should be, and significant work has now been completed.

Directorate	Pre-agreed Growth £m	Growth - New £m	Inflation £m	Net Growth £m
Community Solutions	(0.611)	3.405		2.794
Inclusive Growth	(0.029)	0.137		0.108
Law & Governance		1.256		1.256
My Place	1.000	1.056		2.056
People and Resilience	(0.053)	19.961		19.908
Resources	0.015	1.508		1.523
Strategy	2.050	(0.784)		1.266
Central Expenses	4.177	13.169	7.872	25.218
	<b>6.549</b>	<b>39.708</b>	<b>7.872</b>	<b>54.129</b>

- 14.4. However, modelling in this area is complex as the profile of residents requiring care and the types of care packages can frequently change and costs reduce when more intensive support is no longer needed. The Council has not seen, nor is forecasting, a significant change in numbers requiring care.
- 14.5. The Strategic Director for People & Resilience Directorate is undertaking a significant transformation programme focusing on prevention activities to support people to be more independent and support them at an earlier stage to prevent them from requiring more intensive care and support. Again, the Council has not had a robust preventative pathway, which is now being implemented. Key highlights are outlined below:
- Independent reviews of cost drivers and quality of practice are supporting further improvements in terms of both outcomes, impact and efficiency, including ASC finance review and peer review of LD services across social care, the wider council and health. An LGA review identified the potential to managing demand more effectively through a “front door” with a fully developed advice, guidance, information pathway and preventative offer. This is a change to the council’s current operating model and the new

approach will focus on reducing demand and improving outcomes for residents.

- The “front door” of adult social care has returned in recent weeks to adult social care, a move strongly supported by both internal and external CQC assessment and preparation, and independent review of finance in terms of supporting better and impactful management of demand.
- Working with providers and other local authorities regionally to support mitigating price increases and seeking to understand and standardise rates across key markets, which are being affected by inner NEL boroughs driving up the prices of care in outer NEL London boroughs.
- Optimising the ICB’s disaggregation of BHR footprint into place based, which provides the opportunity to work more closely with health.
- Developing an integrated commissioning structure across public health, social care and health, identifying opportunities for inclusive growth, such as small residential units for young people and those with LD, and changes to ASC income collection and financial assessments.

14.6. The PLGFS included an additional £6.575m of funding ring-fenced for social care from a combination of sources. Since then, additional funding for social care has been announced and Barking and Dagenham’s share is estimated at £1.9m, giving total increased, ring-fenced funding of £8.5m.

14.7. In addition, to the £20m of growth proposed above, an additional £4m (equivalent to the value of the Market Sustainability Grant) has been retained in corporate budgets and ring-fenced as a contingency budget for the People and Resilience Directorate to manage any potential market provider uplifts and/or demand pressures.

14.8. In 2023/24 the majority of the social care market providers received uplifts of 16% partly in response to the council-wide policy commitment to the London Living Wage (LLW). However, adequate provision was not made for this in the 2023/24 budget and forms part of the need for the £20m of growth. Given the challenges of affordability, a difficult decision has been taken by the Council not to commit to a blanket policy of adherence to the London Living Wage in its supply chain. Inflation is also forecast to be lower, and therefore the Council will be holding a robust position in negotiations with its third-party providers. As highlighted above, a central contingency is being maintained to support any inflationary or demand pressures.

14.9. The table below shows the increases in funding for Adults and Childrens social care in 2024/25 compared to the additional growth that has been applied to the Council’s social care budgets.

Funding	2023/24	2024/25	Movement
	£'m	£'m	£'m
Council tax (ASC 2%)		(1.522)	(1.522)
Market Sustainability & Fair Cost of Care Grant	(2.138)	(3.995)	(1.857)
Social Care Support Grant	(16.627)	(19.823)	(3.196)
Additional Social Care Grant		(1.900)	(1.900)
<b>Funding Total</b>	<b>(18.765)</b>	<b>(27.240)</b>	<b>(8.475)</b>
PIR Growth (pre-agreed and new)			19.908
PIR Contingency (held centrally)			4.000
PIR Savings (pre-agreed and new)			(6.880)
<b>Total Growth</b>			<b>17.028</b>

14.10. The pay award for 2023/24 was significantly higher than anticipated and added an additional pressure of £1.2m over and above the allowance of £6.3m that was made in the 2023/24 budget. An allowance of 3% growth for 2024/25 has been included in the budget proposals.

## 15. Investment and Acquisition Strategy (IAS)

15.1. The IAS is the strategy which underpins the Council's investment in commercial and residential assets predominantly to facilitate regeneration in the borough and provide new housing supply. The Council does this through direct acquisition of commercial properties and the construction of residential units both of which are overseen by its regeneration subsidiary BeFirst.

15.2. Under the approved arrangements, at practical completion, legal interest in the residential units passes to the Council's subsidiary group Reside under a lease/loan agreement. The loan equals the construction costs less any grant or right-to-buy receipts for affordable units and the interest rate charged should always be higher than the rate the Council pays for the borrowing in line with on-lending rules.

15.3. The loan agreement ensures that the Reside Group pays to the Council both the required interest payable and an element of loan principal. This amount is in line with the Council's MRP charges that it incurs in the General Fund relating to the borrowing for the on-lending. Any overall scheme surpluses, after deduction of allowable costs within the Reside Group, are also returned to the Council.

15.4. The costs of any commercial investment property acquisition and the costs of construction for the residential schemes are an integral part of the Council's Capital Strategy and proposed capital programme, set out below.

15.5. The proposed MTFs capital programme includes the cost of completing those schemes which are currently under construction, and the associated borrowing to fund those schemes.

15.6. The details of the IAS forecasts are reported in the Treasury Management Strategy Statement (TMSS) which is a separate agenda item. The budgetary implications for the Council's General Fund have been included within the

proposed 2024/25 budgets. The table below summarises the proposed IAS budgets embedded within the budget proposals.

### General Fund & IAS Borrowing Cost Budgets

	2023/24 Revised Budget £m	Reversal of One- off virements £m	Movement £m	Growth 2024/25 £m	Budget 2024/25 £m
<b>Central Expenses</b>					
Interest Payable	14.681		(4.542)		10.139
Capitalisation on Interest	(4.542)		4.542		0.000
Interest Receivable	(6.503)				(6.503)
MRP	11.216	(1.154)		0.730	10.792
PROPERTY CHARGES INCOME	(0.600)				(0.600)
<b>Sub-total</b>	<b>14.252</b>	<b>(1.154)</b>	<b>0.000</b>	<b>0.730</b>	<b>13.828</b>
<b>IAS</b>					
IAS Commercial	(2.406)	1.154	(4.656)		(5.908)
IAS Residential	(2.810)		0.810		(2.000)
Interest Payable			20.709		20.709
Capitalisation on Interest			0.000		0.000
Interest Receivable			(19.126)		(19.126)
MRP			2.263		2.263
<b>Sub-total</b>	<b>(5.216)</b>	<b>1.154</b>	<b>0.000</b>	<b>0.000</b>	<b>(4.062)</b>
<b>Total</b>	<b>9.036</b>	<b>0.000</b>	<b>0.000</b>	<b>0.730</b>	<b>9.766</b>

- 15.7. As can be seen from the table, the IAS is budgeted to make a £4.1m income contribution to the Council's General Fund which represents no change to the 2023/24 position. However, for schemes that are due to complete over the next 2-3 years, cost burdens could materialise should the Council be unable to secure interest rates at the required scheme viability rate, or if properties are unnecessarily void and/or scheme costs increase.
- 15.8. Over the last few years, the Council has created a more interventionist local housing model delivered through its subsidiary companies. Reside is the council's wholly owned housing management company that lets, manages, and maintains homes built by Be First and those acquired from third party developers. This is at the heart of the council's ambition to support people to live in modern affordable homes and is set against the backdrop of a national housing crisis. The Council has encountered a number of problems with the handover processes at practical completion and the letting of new properties, particularly the market rent tenure. This has caused a significant loss of income to the IAS. Officers have been working with subsidiary entities to improve the handover and letting processes. As part of holding our subsidiaries to account, it will be important going forward that voids are minimised to avoid loss of income both for schemes under operation and those completing in the future.
- 15.9. For schemes already completed and financed, any loss of income impacts on the ability for Reside to provide the cashflows to meet the interest and principal payments. As highlighted above, for schemes under construction interest rates are

not currently fixed and are subject to an effective borrowing strategy to ensure that schemes remain viable. Any unnecessary delays in letting completed properties will add additional burdens to the ability to meet the future lease payments and or return scheme surpluses.

- 15.10. Given the length of time that has evolved since the IAS was first established and the macro-economic factors which have since materialised, an external review of the IAS will be undertaken in the final quarter of 2023/24 with a view to providing the necessary assurances and or proposals for de-risking the Investment and Acquisition Strategy portfolio.

## 16. 2023/24 General Fund revenue budget position

- 16.1. At Quarter 1, the Council was forecasting a £15m overspend for 2023/24. In light of this, a raft of expenditure control measures were put in place from the end of the summer period. These are detailed elsewhere in the report.
- 16.2. A general recruitment pause has been in place since late summer/early Autumn with vacant posts being held as vacant until 1 March at the earliest unless approved by way of business case by Strategic Directors. This measure will now be extended to 1 August 2024.
- 16.3. Whilst measures began to have an impact and reduce the forecast overspend it was clear that further measures were needed. In the Autumn the Council's S151 Officer, supported by the Chief Executive Officer and Executive Team colleagues, requested that expenditure going forward be limited to essential expenditure only. Strategic Directors now have Directorate processes in place to put additional authorisation expenditure within their services as a way of monitoring compliance with the agreed action.
- 16.4. The latest budget monitoring report for Period 9 is presented to Cabinet as a separate agenda item and indicates that the forecast overspend for 2023/24 has now reduced to £9.336m. The table below shows the high-level summary of the forecast by Directorate.

	This Years Budget	Actuals/Forecast		Reserves	Variances Inc Reserves		Movement from Last Period
	Revised Budget	YTD Actuals	Current Forecast	Net Movement in Reserves	Variance	Last Period Variance	
PEOPLE & RESILIENCE	116,957,652	91,116,843	130,687,789	(105,766)	13,624,371	14,479,288	(854,917)
LAW AND GOVERNANCE	6,513,089	3,167,249	4,759,932	1,376,000	(377,157)	(420,307)	43,149
STRATEGY	9,755,640	8,312,770	9,760,301	(497,510)	(492,849)	(518,027)	25,178
INCLUSIVE GROWTH	1,078,456	1,496,684	2,692,338	(1,660,350)	(46,468)	(10,621)	(35,847)
COMMUNITY SOLUTIONS	14,461,470	12,297,498	16,065,237	(4,065,772)	(2,462,005)	(2,044,132)	(417,873)
MY PLACE	4,448,439	35,299,708	2,654,579	383,000	(1,410,859)	(1,404,079)	(6,780)
CORPORATE MANAGEMENT	2,637,318	3,362,464	3,752,488	(161,574)	953,596	931,453	22,143
<b>SUB-TOTAL DIRECTORATES</b>	<b>155,852,064</b>	<b>155,053,216</b>	<b>170,372,664</b>	<b>(4,731,972)</b>	<b>9,788,628</b>	<b>11,013,575</b>	<b>(1,224,947)</b>
CENTRAL EXPENSES	13,566,066	1,761,603	13,846,170		280,104	(6,819,048)	7,099,152
INTEREST PAYABLE	14,681,085	3,039,642	3,624,000		(11,057,085)	(4,598,933)	(6,458,152)
INTEREST PAYABLE ON ST BORROWG		(490,661)	3,688,901		3,688,901	8,553,901	(4,865,000)
CAPITALISED INTEREST	(4,542,000)				4,542,000		4,542,000
INTEREST RECEIVED	(6,502,960)	(119,496)	(4,040,752)		2,462,208	2,462,208	
MRP	10,048,004		10,048,004				(0)
LEVIES PAID	15,445,900	15,244,137	15,445,900				
<b>SUB-TOTAL CORPORATE EXPENSES</b>	<b>42,696,095</b>	<b>19,435,225</b>	<b>42,612,223</b>		<b>(83,872)</b>	<b>(401,872)</b>	<b>318,000</b>
<b>GENERAL FUND I&amp;E (EXC. IAS)</b>	<b>198,548,159</b>	<b>174,488,441</b>	<b>212,984,887</b>	<b>(4,731,972)</b>	<b>9,704,756</b>	<b>10,611,704</b>	<b>(906,948)</b>
IAS	(4,087,906)	(3,430,639)	(4,456,569)		(368,664)	(72,029)	(296,635)
<b>GENERAL FUND I&amp;E</b>	<b>194,460,253</b>	<b>171,057,802</b>	<b>208,528,318</b>	<b>(4,731,972)</b>	<b>9,336,092</b>	<b>10,539,675</b>	<b>(1,203,583)</b>

- 16.5. Given the significantly reduced levels of reserves, it is important that the Council achieves as close to a balanced budget as possible to prevent a further draw down on those reserves. There are still risks within the forecasts given that demand for some services can be unpredictable and costly, particularly for social care services.
- 16.6. It is also important to bear in mind that the provisional outturn (Month 12) report will not be presented to Cabinet until late Spring, and it is only at this point that the final outturn for 2023/24 will be known. This means that it is important to factor in the potential overspend in any review of reserves and planned use for the 2024/25 budget setting.
- 16.7. In setting the budget for 2024/25 it has been important to address the core budget pressures to prevent the Council from forecasting an overspend from Month 1.
- 17. 2024/25 plus 5 Years Capital programme including Investment and Acquisition Strategy (IAS)**
- 17.1. The Council's current gross capital programme, including forecast IAS slippage and acceleration for 2024/25 is £23.186m for the GF Services, £161.588m for the IAS strategy and £24.689m for the HRA. For a total gross budget of £209.462m. With estimated financing totals £105.692m there is an estimated borrowing requirement for 2024/25 of £103.770m.
- 17.2. The Council's Indicative General Fund Capital Programme 2023/24 to 2026/27 is set out below. The capital programme is only set out for three years as currently there is no forecast spend agreed for 2027/28 and 2028/29. Slippage from the IAS could well move spend into 2027/28 but currently there is no certainty over the capital budgets past three years.
- 17.3. A detailed breakdown of the 2023/24 to 2026/27 capital programme, including slippage/ acceleration and funding is set out in Appendix G. The capital spend in the appendix is also gross, with financing noted next to each scheme. Cabinet are asked to approve the updated 2023/24 programme and the proposed 2024/25 capital budget.

Capital Expenditure	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£000s	£000s	£000s	£000s
<b>General Fund</b>				
Gf - Adults Care & Support	3,719	2,918	0	0
Gf - Inclusive Growth	6,373	611	0	0
Gf - CIL	761	0	0	0
Gf - TfL	4,226	2,200	2,200	0
Gf - IT	3,615	1,200	2,005	200
Gf - Parks Commissioning	12,925	153	83	0
Gf - Culture and Heritage	1,121	294	294	0
Gf - Enforcement	173	330	330	0
Gf - My Place	3,919	1,434	1,000	0
Gf - Public Realm	8,510	5,487	5,287	0
Gf - Education, Youth & Child	15,254	8,559	11,466	0
Gf - Other	136	0	0	0



Transformation	0	0	0	0
<b>Total GF Capital Expenditure</b>	<b>60,732</b>	<b>23,186</b>	<b>22,665</b>	<b>200</b>
IAS Residential	275,184	157,492	111,699	18,708
IAS Commercial	16,446	4,096	2,000	1,000
<b>Total IAS</b>	<b>291,630</b>	<b>161,588</b>	<b>113,699</b>	<b>19,708</b>
HRA Stock Investment	14,000	20,288	27,934	37,760
HRA Estate Renewal	4,000	4,400	0	
HRA New Build Schemes	544	0	0	
<b>HRA Total</b>	<b>18,544</b>	<b>24,688</b>	<b>27,934</b>	<b>37,760</b>
<b>Financed by:</b>				
HRA/MRR	(20,123)	(26,170)	(27,827)	(29,774)
CIL/S106	(1,372)	(9)		
CIL/S106 - IAS			(1,500)	(1,762)
Revenue	(1,132)	(1,700)	(1,500)	
Capital Receipts			(232)	(3,226)
Self-Financing (excluding IAS)	(1,979)			
Other Grant	(28,826)	(13,782)	(14,159)	
IAS Grants (RtB, GLA) and sales	(64,434)	(64,031)	(12,863)	(94,527)
<b>Total Financing</b>	<b>(117,866)</b>	<b>(105,692)</b>	<b>(58,081)</b>	<b>(129,289)</b>
<b>Financed by Borrowing</b>	<b>253,040</b>	<b>103,770</b>	<b>106,217</b>	<b>(71,621)</b>
PFI / Finance Lease Add. & Repay.	(4,492)	(4,811)	(5,111)	(5,459)
<b>Net financing need for the year</b>	<b>248,548</b>	<b>98,959</b>	<b>101,106</b>	<b>(77,080)</b>

- 17.4. The budgets include estimates of roll-forwards budgets from 2023/24 and are indicative with possibility of further slippages and changes to budget at year end. Capital Receipts include the sale of Pondfield, which completed on 10 January 2024. There is the potential for additional capital receipts to be generated as part of a review of the Council's assets. Any capital receipt received could be used to reduce the Council's overall Capital Financing Requirement (CFR) depending on if the asset is held in the GF or the HRA.
- 17.5. The MTFS includes provision of £650k for 2024/25 and £819k for 2025/26 to fund a corporate capital programme of £16.699m of new capital schemes for 2024/25 to 2025/26. This budget is split between interest and Minimum Revenue Provision and follows a bidding round held towards the end of 2023.
- 17.6. A review of the bids was carried out by Assets and Capital Board, and further clarification was requested for some of the bids. Bids for 2025/26 will be reviewed again as part of the 2025/26 budget-setting process to identify any additional funding sources to support the agreed bids and any potential savings once projects are further forward.
- 17.7. Capital budget for new capital schemes as internal funding available from non-ringfenced resources is already set aside for existing commitments. Other sources of funding include prudential borrowing, capital receipts (excluding HRA right to

buy receipts) and revenue contributions from either budgets or earmarked reserves.

- 17.8. There has been very little in the way of previously accumulated General Fund capital receipts and so the main source of funding available to meet future capital demands is prudential borrowing for 2024/25. Any borrowing for the Council's core capital programme will give rise to additional revenue borrowing costs (interest payable and MRP).
- 17.9. Given the current pressures on the General Fund revenue budgets it has therefore been necessary to limit any new capital schemes, which are not externally funded, to essential investment only.
- 17.10. The revised Capital Strategy (separate agenda item) sets out the Council's strategic approach to its capital investment and underpins the proposed capital programme.
- 17.11. The Council's Capital Programme for 2024/25 is set out in Appendix G.

## **18. Financial Risks**

- 18.1. As highlighted throughout this report Barking and Dagenham Council is facing a significant financial challenge in setting its budget for 2024/25 and planning for the future to ensure that it is financial sustainable.
- 18.2. Due to funding constraints, the Council will always have a finite level of financial resources both for operational service delivery and investment in those services or assets. However, demand for services can be unpredictable and, more importantly, difficult to control.
- 18.3. The Council is now at a position that it requires transformational change to operate within the proposed budget envelope and to ensure that it is financially sustainable over the medium to longer term.
- 18.4. There are key inherent risks that most London local authorities face in setting their budgets although the level of risks for each can be very different:
  - Macro-economic factors - inflation, interest rates and supply chain problems
  - National issues – recruitment of skilled staff (shortages across most professions)
  - Demographic change: Barking & Dagenham has seen the fastest demographic change across the country
  - Demand and complexity of need - adults and children's social care and SEND
  - Demand - increase in numbers of statutory homelessness duty
  - Funding not keeping pace with costs or demand
  - Additional statutory duties but without increased burdens funding
  - Insufficient funding for investment in services or assets
  - Assumptions and estimates underpinning the budgets prove to be inaccurate
  - Cost-of-living crisis impacting on citizens ability to pay their debts
  - Rising responsibilities and expectation levels for local authorities across most sectors, including social care and housing.

- 18.5. The Council's Section 151 Officer must make a statement to accompany the proposed budgets that confirms their opinion on whether the Council's forecast reserves are adequate for the financial risks that the Council is facing. To assess this, effort should be made to quantify those risks.
- 18.6. Whilst Barking & Dagenham is exposed to all of the inherent risks above, the key risks facing the Council over the MTFs period, together with an assessment of their financial impact are:
- Transformational plans in children's and adults' services do not sufficiently impact on the management of demand or market challenges (potential for an additional £5-8m) and/or £4m contingency insufficient;
  - Borrowing requirement of c£600m not currently locked into fixed interest rates;
  - External audit failure on signing legacy accounts - impacting on the Council's reputation and/or ability to borrow funds;
  - External audit failure on signing legacy accounts – material error in accounts of legacy accounts which could impact on the Council finances. No value-for-money opinion or guidance on where the Council may need to improve;
  - Low level (c£2m) of revenue contingency budget to cope with unexpected cost pressures
  - Reduced levels of usable reserves to cope with any future forecast overspends
  - No planned budget contribution to increase reserves
  - Exposure to risk of default on working capital loans (c£10.5m) advanced to subsidiaries
  - Subsidiary failure – additional funding required to service creditors of the companies
  - IAS schemes do not deliver sufficient financial returns to cover cost of borrowing imposing additional cost pressures on the General Fund
  - IAS scheme land and property values insufficient to cover the borrowing in the event of a sale
  - BDTP Group continued inability to service loan advanced (c£28m) for asset acquisition and asset value is lower than loan to BDTP Group
  - Growth restricted to 2023/24 core budget pressures only – increases in demand or costs to be managed by Strategic Directors within overall approved budgets
  - Significant regeneration costs c£16m incurred in schemes where viability issues have now stalled those schemes – risks that schemes do not proceed and costs become chargeable to the General Fund.
- 18.7. People and Resilience faces considerable challenges with some of the most vulnerable members of the community with intensive social care needs and where demand can change rapidly. A few high-cost care packages can have significant financial impacts for the Council both short and long term.
- 18.8. The Council's level of borrowing has come under intensive scrutiny. For schemes already completed and financed by long term, fixed rate borrowing the risk of the Council being unable to service that debt is greatly reduced. The risk here lies with net operational returns within the Reside Group being insufficient to meet the associated lease payments. This could arise either because rent increases do not keep pace with cost increases reducing net returns and/or rental income being lost through voids or bad debts.

- 18.9. As highlighted in the Investment and Acquisition Strategy section, this risk has partially materialised during 2023/24 but remedial action has been put in place to mitigate this risk further going into 2024/25 and beyond.
- 18.10. Scheme performance is monitored by Reside and by the Council officers but further assurances regarding scheme forecasting are being sought under the review of the IAS scheduled to take place in the last quarter of 2023/24.
- 18.11. For those schemes where borrowing has not been secured on long-term, fixed rate the Council is exposed to variable interest rate movements. By the end of 2023/24 the forecast is that the Council will have a variable, short-term rate borrowing exposure of c£300m. Including the short-term borrowing of c£300m, the Council will need to borrow c£600m over the MTFs period to fund schemes that are under construction. The Council is therefore exposed to considerable interest rate risk.
- 18.12. With the general macro-economic climate, the Council expects further demand for housing and general support to manage finances and worsening personal financial circumstances could also materially impact on various fees and charges the Council relies on. Whilst the Council is an outlier in not facing temporary accommodation budgetary pressures, this situation could change and move rapidly.
- 18.13. As highlighted above, the use of estimates and assumptions in setting the budget and forecasting the MTFP introduces inherent risks that those judgement calls prove to be inaccurate after the event. The sensitivity section above sets out the key assumptions used in setting the budget for 2024/25 and the financial impact of a 1% change in any of these assumptions.

## **19. Reserves**

- 19.1. The level of reserves is a key component of a robust and prudent medium-term financial strategy ensuring that funds are set aside for specific purposes or can be called upon to provide a buffer in the event of any unforeseen financial pressure. They are in effect the “shock absorbers” of the council’s finances and are the last line of defence to ensure resilience.
- 19.2. Reserves can be classed as general reserve or earmarked reserves and they represent funds that are not part of the normal recurring budget but are distinct “pots” of finite funds. Good practice would be to maintain General Reserves to an appropriate level in line with an approved Reserves Policy.
- 19.3. The Cabinet was presented with a Reserve Policy in July 2023 which recommended that a General Reserve balance of £12m be maintained and it is proposed that this remains the case for next year. The budget proposals in this report support the maintenance of this balance.
- 19.4. The opening reserves for 2023/24 in the February 2023 report were forecast to be £126m. Opening reserves were actually £151m but then £25m was used to balance the 2022/23 budget as reported to Cabinet in June 2023 in the Provisional Outturn Report.

- 19.5. As report to Full Council in February 2023, in setting the budget for 2023/24 the Council had planned to drawdown £8.9m from reserves to bridge the budget gap.
- 19.6. There have been other transfers to and from reserves during 2023/24 and these have been reported through the in-year budget monitoring reports and forecast reserves at Period 9 are set in the table below.

	Opening Balance	Budgeted Drawdown 23-24	In Year Inter Reserve Transactions 23-24	Pending In Year Inter Reserve Transactions 23-24	Planned Drawdowns 23-24 (P9)	Transfer to Reserve (P9)	BeFirst Dividend Reserve Drawdown	Drawdowns not in P9 - Outside forecast	Release to BSR - pending transfer	Reserve Balance (before overspend)
	£'m	£'m	£'m		£'m	£'m		£'m	£'m	£'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(17.03)
Budget Support Reserve	(16.84)	13.51	0.53	(3.68)	0.00	0.00		0.00	0.00	(6.48)
<b>Sub total</b>	<b>(33.87)</b>	<b>13.51</b>	<b>0.53</b>	<b>(3.68)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(23.51)</b>
Ring-fenced Reserves	(28.91)	0.00	(0.53)	1.53	4.76	(2.33)		3.56	0.00	(21.92)
PFI Reserves	(14.28)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(14.28)
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(6.11)
<b>Sub total</b>	<b>(49.30)</b>	<b>0.00</b>	<b>(0.53)</b>	<b>1.53</b>	<b>4.76</b>	<b>(2.33)</b>	<b>0.00</b>	<b>3.56</b>	<b>0.00</b>	<b>(42.31)</b>
<b>Non Ring-Fenced Reserves</b>										
Corporate Reserves	(5.91)	0.00	0.00	0.00	0.16	0.00		1.37	0.00	(4.39)
People & Resilience	(0.54)	0.20	0.01	0.00	0.00	0.00		0.00	0.00	(0.33)
Legal, Governance & HR	(0.41)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(0.41)
Strategy	(0.05)	0.00	0.00	0.00	0.03	0.00		0.02	0.00	(0.00)
Inclusive Growth	(1.34)	0.00	0.00	0.00	0.11	0.00		0.00	0.00	(1.23)
Community Solutions	(12.63)	1.30	(0.01)	1.66	2.01	0.00		2.49	0.00	(5.17)
My Place	(0.29)	0.00	0.00	0.29	0.00	0.00		0.00	0.00	0.00
Collection Fund Reserves	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
<b>Sub total Non-ringfenced</b>	<b>(21.17)</b>	<b>1.50</b>	<b>0.00</b>	<b>1.95</b>	<b>2.31</b>	<b>0.00</b>	<b>0.00</b>	<b>3.88</b>	<b>0.00</b>	<b>(11.53)</b>
<b>IAS &amp; Capital Reserves</b>										
Investment Reserves	(16.17)	0.00	1.13	0.00	0.00	0.00		0.00	0.00	(15.03)
Mueller Reserve	(12.00)	0.00	0.00	0.00	0.00	0.00	10.39	0.00	0.00	(1.61)
CR27 Hotel Deal reserve	(5.50)	0.00	(0.57)	0.00	0.00	0.00		0.00	0.00	(6.07)
Isle of Dogs Travelodge Reserve	(5.50)	0.00	(0.57)	0.00	0.00	0.00		0.00	0.00	(6.07)
IAS Reserve	(3.78)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	(3.78)
<b>Sub total IAS Reserves</b>	<b>(42.95)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10.39</b>	<b>0.00</b>	<b>0.00</b>	<b>(32.56)</b>
<b>Total</b>	<b>(147.29)</b>	<b>15.01</b>	<b>0.00</b>	<b>(0.20)</b>	<b>7.07</b>	<b>(2.33)</b>	<b>10.39</b>	<b>7.44</b>	<b>0.00</b>	<b>(109.91)</b>

- 19.7. Furthermore, as indicated in the Period 9 report, the Council's overspend is projected to be £9.336m which, if this materialises, will need to be funded from a further reserve drawdown.
- 19.8. The budget proposals as presented require an additional draw down of reserves of £8.809m to bridge the 2024/25 budget gap.
- 19.9. In the budget proposals, it is currently planned that BeFirst will declare sufficient dividends to meet the £10.3m income budget within the Council's core budget and this does not form part of the gap.
- 19.10. Taking into account all of the movements above, the table below presents the projected net position of Reserves broken down per type of reserves the Council holds.

	Opening Balance	Movement in Reserve 23-24	Reserve Balance (before overspend)	Drawdown for P9 overspend (Indicative)	Planned Drawdown 24-25	Forecast Reserve balance
	£'m	£'m	£'m	£'m	£'m	£'m
General Reserves	(17.03)	0.00	(17.03)		5.00	(12.03)
Budget Support Reserve	(16.84)	3.45	(13.39)	9.34	3.81	(0.24)
<b>Sub total</b>	<b>(33.87)</b>	<b>3.45</b>	<b>(30.42)</b>	<b>9.34</b>	<b>8.81</b>	<b>(12.27)</b>
Ring-fenced Reserves	(49.30)	6.99	(42.31)	0.00	0.00	(42.31)
Non Ring-Fenced Reserves	(21.17)	13.56	(7.62)	0.00	0.00	(7.62)
IAS Reserves	(42.95)	13.39	(29.56)	0.00	0.00	(29.56)
<b>Sub total</b>	<b>(113.42)</b>	<b>33.94</b>	<b>(79.49)</b>	<b>0.00</b>	<b>0.00</b>	<b>(79.49)</b>
<b>Total</b>	<b>(147.29)</b>	<b>37.39</b>	<b>(109.91)</b>	<b>9.34</b>	<b>8.81</b>	<b>(91.76)</b>

- 19.11. In considering their decision on the budget proposals as presented, Members should consider the financial risks highlighted in this report to consider whether the forecast reserves are sufficient.
- 19.12. As outlined above, the Section 151 Officer is required to make a statement (known as the Section 25 statement) which sets out their opinion on the adequacy of reserves for the financial risks that the Council is facing. This statement can be found at Appendix H and members should have regard to this statement when making their decision.

## 20. Budget Consultation

- 20.1 Following Cabinet approval to the draft 2023/24 budget and medium-term financial strategy, the Council launched a budget engagement exercise.
- 20.2 An engagement survey and a quiz was created and published on the Council's website on 20 December 2023 and closed on 21 January 2024.

The survey was promoted via a range of channels including:

- Press release
- Social media channels
- Articles in resident "One Borough" and Engagement HQ newsletters
- Leader's weekly video to residents
- Newsletter for businesses
- Articles in staff newsletters

- 20.3 A [budget Facebook Live Q&A](#) took place on Tuesday 16 January with Cllr Rodwell, Leader of the Council and Cllr Twomey, Deputy Leader of the Council and Cabinet Member for Finance, Growth and Core services.
- 20.4 The Facebook Live Q&A had 892 views, 9 comments, 7 reactions (eg likes) and 3 shares. 51 local businesses also heard more about the 2024/25 budget proposals and had an opportunity to give their views at a Barking & Dagenham Business Forum Conference which took place on 24 January. The results on the consultation are set out in Appendix F. A summary of key headlines is provided below:

- The consultation received a total of 209 responses to the budget consultation survey, and 115 responses to the budget survey quiz.
- 98.6% of respondents were residents of the borough, and 1.4% of respondents were representatives of an organisation. There were no responses received from local businesses.
- When asked which service areas the council should be prioritising, the top three options selected were:
  - ✓ Giving all children the best start in life.
  - ✓ Supporting older people and adults with disabilities.
  - ✓ Keeping the streets clean and collecting waste.
  - ✓ 29.1% of respondents support increasing the council tax precept by 2.99%.
  - ✓ 35.4% of respondents support the proposed 1.99% council tax increase for Adult Social Care.

## **21. Financial Implications**

Implications completed by: Nurul Alom – Finance Manager

- 21.1 The detailed financial implications have been covered throughout the report. Members are asked to note the Section 151 officer's assurance statement as outlined in Appendix H.

## **22. Legal Implications**

Implications completed by: Dr Paul Feild Principal Governance & Standards Solicitor

- 22.1 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.
- 22.2 The Local Government Act 2003 (2003 Act) Section 25 sets a specific duty on a local authority's section 151 Local Government Act 1972, Chief Financial Officer (our Director of Finance and Investments), to make a budget calculation report to the said authority for it to take into account when it is considering its budget and funding for the forthcoming year. Their 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 2003 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'.
- 22.3 By law a local authority is required under section 32 of 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 an 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 to proper processes as part of good governance.

- 22.4 Part 1 of the 2003 Act 2003 requires a local authority body to each year set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out its policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 22.5 A local authority also has to prepare an Annual Minimum Revenue Provision Policy Statement setting out how it proposes to repay its debts. The form of the policy must accord with prudential public finance accounting principles as espoused by the Chartered Institute of Public Finance Accountants (CIPFA). The relevant guidance is set out in the CIPFA Code of Practice on Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 22.6 In terms of the budget and the effect it would have on service provision, 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, 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.
- 22.7 If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities including the duty to make services better. Section 3 of the Local Government Act 1999 requires that local authorities must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This duty to make improvement also requires (section 3(2) of the 1999 Act), that in doing so consultation must be carried out.
- 22.8 Additional considerations the Council must have regard to in taking decisions are:
- 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 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;



22.9 Under the Council's Constitution part 2 chapter 4, paragraph 2.1(iii) the Assembly has the authority to approving the Budget, including the level of Council Tax, Revenue Budget and Capital Programme.

## 23. Other Implications

23.1 **Risk Management** - The Council recognises that maintaining a dynamic risk aware culture is vitally important as it goes through periods of change, with the increasing need to balance the effects of budget reductions, changes to services provided and possible increased demand. The benefits gained in managing risk effectively are improved strategic, operational and financial management, better decisions and outcome delivery, improved statutory compliance and ultimately improving the services that people receive.

The significant risks have been identified in this report, with impacts from those risks highlighted for consideration where possible. Controls and actions to manage risk are included within this report and have been integrated into the implementation plan to deliver the Budget Strategy. The Strategic Risk Register identifies 'Financial Management' as a key risk to achieving priorities and this report contributes to the mitigation therein.

23.2 **Contractual Issues** - The expectation is that all procurements conducted will follow the processes as set out in the Council's Contract Rules, the Public Contract Regulations 2015 and the impending procurement reform which comes into effect this year. All high risk/value procurements under the Gold threshold will be supported by Corporate Procurement to ensure that the process drive the commercial outcomes needed by the Council whilst delivering the service requirements.

23.3 **Staffing Issues** – The Council has agreed organisational change procedures which comply with legislation and have been agreed with Trade Unions. Formal and meaningful consultation with staff and trade unions take place when proposals to review a service are made. The Council is under a legal duty to issue an HR1 and S188 notice when considering redundancies including deletion of vacant posts. This has been undertaken by the Chief Executive and will be kept under review.

Any redundancies are made in line with the Council's redundancy policy and redeployment opportunities are fully explored.

In addition to specific consultation with staff and Trade Unions on restructure proposals, under the Council's policy, a number of all staff engagement sessions have been held run by the Chief Executive and other members of the Executive Team.

23.4 **Corporate Policy and Equality Impact** - As part of the Council's Public Sector Duty under the Equality Act 2010, we need to ensure that we are paying "due regard" to eliminating discrimination, advancing equality of opportunity and fostering good relations between people who share a protected characteristic and those who do not when carrying out our day-to-day operations and in our decision-

making processes. Equality Impact Assessments are an established and credible tool for evidencing due regard.

Given the current climate, we know how our residents have been impacted by the Covid-19 and now the cost-of-living crisis. The council understands that this means any changes impacting residents are likely to only add to this and therefore we have continued to do all we can to protect our most vulnerable and mitigate against negative impacts as far as possible. Where a savings proposal has the potential to directly or indirectly impact on residents, an Equality Impact Assessment or Equality Impact Assessment screening tool has been completed. Of the 78 savings proposals put forward in this report, 23 required an assessment of equality implications. The other proposals were focused on optimising efficiencies in service delivery or changes to staffing, the impacts of which are dealt with through HR processes.

The Equality Impact Assessments have informed a cumulative impact assessment (Appendix J), Most of the EIAs completed concluded that the changes would have a positive or neutral impact. The cumulative assessment concludes that there is a potential for the proposed changes to negatively impact on some groups within our community. However, where potential negative impacts have been identified, mitigating actions have also been identified to ensure that residents continue to be able to access services and support. In light of the extremely challenging fiscal situation and the need for services to remain financially sustainable, the conclusion is that these proposals for achieving savings are considered reasonable and have shown due regard to the Public Sector Equality Duty.

The remaining proposals that require EIAs are put forward for decision, subject to the proposal being further developed including consultation and a full consideration of the impact on residents with protected characteristics by the service, in collaboration with the Strategy and Equalities Team. These will be presented for a decision at a future point in time when proposals have been further developed taking account of results of consultation and consideration of equality impact.

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

- Budget Framework 2023/24 and Medium-Term Financial Strategy 2023/24 to 2026/27 – March 2023 Assembly [Agenda for Assembly on Wednesday, 1 March 2023, 7:00 pm | LBB](#)
- Medium Term Financial Strategy and Reserves Policy 2023/24 to 2027/28 – July 2023 Cabinet [Agenda for Cabinet on Tuesday, 18 July 2023, 7:00 pm | LBB](#)
- Budget Strategy 2024/25 to 2026/27 – December 2023 Cabinet [Agenda for Cabinet on Tuesday, 19 December 2023, 4:00 pm | LBB](#)

## **List of appendices**

- Appendix A – MTFs Summary
- Appendix B - Savings and Growth Detail List
- Appendix C – Reserves Summary
- Appendix D - Council Tax Requirement 2024/25

- Appendix E - Calculation of the Proposed Council Tax for 2024/25
- Appendix F - Budget proposals consultation feedback for 2024/25
- Appendix G -Capital Budget 2024/25
- Appendix H - Section 25 Statement (Draft)
- Appendix I - Strategy for the Flexible Use of Capital Receipts
- Appendix J - Cumulative Equalities Impact Assessment