

CABINET

14 November 2017

Title: Budget Strategy 2018/19 to 2020/21	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Kathy Freeman, Finance Director	Contact Details: Tel: 020 8 227 3497 E-mail: kathy.freeman@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary <p>This report sets out the Council's budget strategy for 2018/19 to 2020/21 and includes proposals in order to address the revised 2018/19 budget gap of £12.5m.</p> <p>The Council faces an unprecedented financial challenge; Government cuts the likes of which have not been seen since the Second World War and year on year increases in demand for services. The Borough has witnessed severe population growth since 2013/14; projected cumulative growth to 2020 the second highest in London, and almost 4 times higher than the national average. Alongside rapid population increases, it has also witnessed some of the highest levels of deprivation and changing demographics across the country; as such the needs of the Borough have drastically increased.</p> <p>It is in this context that the report updates Cabinet on changes to the Council's medium term financial position since July 2017 as further information, particularly about funding, has become available and as savings proposals have been discussed, further tested and refined.</p> <p>The medium term financial gap to 2020/21 is now £15.6m. This compares to £23m which was previously reported to Cabinet in July.</p> <p>To meet the increasing challenge of setting a balanced budget, the Council is continuing its strategy of a balance sheet led investment approach which generates income in order to protect front line services.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Agree the implementation of the savings proposals for 2018/19 totalling £9.646m as set out in paragraph 6.2 of this report, subject to the outcome of consultation;	

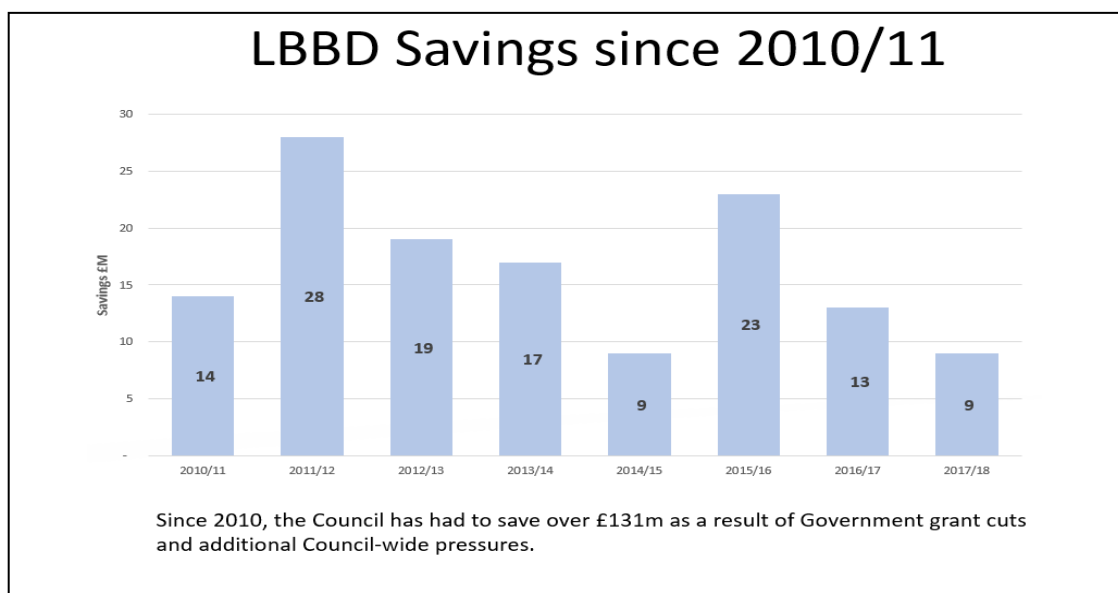
- (ii) Support the drawdown of circa £2.8m from general reserves in order for the Council to set a balanced budget for 2018/19 as set out in section 7 of the report, which would be reflected in the Council’s statutory budget setting report in February 2018;
- (iii) Note that carry costs of the Council’s Investment and Acquisition Strategy would be incorporated in the Medium Term Financial Strategy following the submission of the Be First business plan and the completion of detailed cash flow modelling, as referred to in paragraph 3.6 of the report;
- (iv) Agree to enter into the London Business Rates Pool, as set out in section 3.7 of the report;
- (v) Agree to set up a new Care Reserve of £688,000, to be funded from other reserves as detailed in paragraph 7.4 of the report; and
- (vi) Agree the proposed consultation process for the 2018/19 savings proposals, as set out in section 9 of this report.

Reason

Financial planning is key in supporting the Council to deliver its vision of “One borough; one community; London’s growth opportunity.”

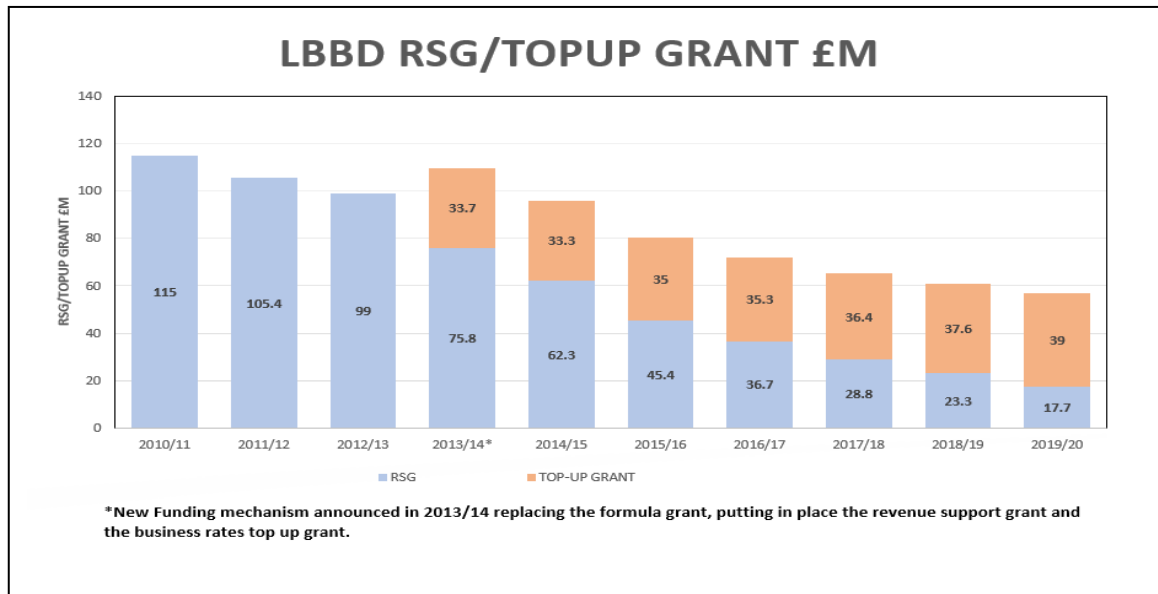
1. Introduction and Background

1.1 The Council continues to face significant challenges of cuts to revenue support grant, and increasing demographic and demand led pressures. This report is written at the point when the Council has already made over £122m of savings since 2010, and has identified further savings of £48m between 2017/18 and 2020/21 through its transformation programme.



1.2 The total funding (finance settlement) for LBB D has reduced from £115m in 2010 to £65.2m (2017/18), a reduction of £49.8m. It will further reduce by £8.5m to £56.7m

by the end of the decade, a total funding reduction of £58.3m. Along with these required savings as a result of funding cuts; the Council has faced and will continue to face severe demand pressures because of rapid population growth, demographic changes and high levels of deprivation which has resulted in a total savings requirement since 2010 to date of over £131m.



- 1.3 Assembly in February 2017, agreed to set a balanced budget of £145m for 2017/18, which incorporated a number of one off items and a transfer from general fund balances of £2.8m. At that point, the Council's overall budget gap was £15m for 18/19 and £22m overall to 2020/21.
- 1.4 A further report was presented to Cabinet in July, updating the position reported in February which included a number of adjustments to the Medium Term Financial Strategy. The revised budget gap for 18/19 was amended to £15.8m, however, this incorporated the removal a number of items such as budgeted increases for staff awards, the provision for legislative changes, demand pressures and other adjustments amounting to £6.7m. It was concluded that these items could be removed for 2018/19 with the accepted risk that any pressures emerging in these areas would need to be contained during the year as part of the monitoring process.
- 1.5 There are currently a number of recurring overspends in service areas across the Council. Services have been working hard during the year to mitigate these pressures but as part of the 2018/19 budget round it is recognised that ongoing provision is needed where it is clear that a service has an unavoidable underlying budget pressure.
- 1.6 For 2018/19, the net budget gap presented to Assembly was £15m that included the transformation programme savings of £11.3m. The MTFs has factored in further adjustments for service budget pressures, contingent items, and other budget adjustments including additional grant funding that has left a net budget gap of £9.7m for 2018/19. The report sets out the Council's proposals which sets out how the net 18/19 budget gap is to be addressed.

- 1.7 The Council has recognised that the tradition salami slicing approach of appropriating savings across services will no longer work. The transformation programme was set up in 2015 to target new innovations and efficiencies and has identified over £47.9m of savings over a 4-year period from 2017. This approach has significantly contributed £11.3m to the 2018/19 budget position but more savings are needed as a result of ongoing demographic pressures and the need to replace one off items in the current budget. This report sets out further proposals in order to deliver a balanced 2018/19 budget.

2 In year budget pressures

- 2.1 As set out in the budget monitoring report, which is elsewhere on this agenda, this Council like many other councils across London is facing demographic and demand led pressures which has led to a number of in year overspends. Services are working hard to contain these overspends but it is recognised that some are underlying issues and need to be recognised in the Council's medium term financial position.

Children's care and support

Children's Care and Support is a demand led service for the most vulnerable young people in our borough. Recently this service experienced a period of high growth and budgetary overspends but concerted action by the new management team including the implementation of the SAFE programme has led to much greater control and pressures have been brought down across the service. However, as most London boroughs we could continue to face difficulties in recruiting and retaining permanent staff which has led to staffing overspends that are hard to reduce.

In addition, the increasing vulnerability and complexity of need of a small group of children in our care requires very expensive care and support placements including in residential, therapeutic and secure accommodation leading to an overspend in LAC placements. There is currently an in-year budget pressure of £1.5m and although action is being taken this is likely to persist into next year.

Public realm

Pressures in this area emerged last year. A detailed investigation of the budget has revealed there is not sufficient funding for the current staffing establishment including weekend working and bank holiday cover. It may be possible to address this through a review of the delivery model and changes to working practices but this will be a complex piece of work and some residual pressures are likely to continue to next year. In addition, savings were included in the previous MTFS connected to the ELWA levy and residual waste volumes that are not realisable in the short term as cash savings.

Enforcement

There continues to be a pressure in the Parking account, which is currently forecasting a shortfall of around £0.970m against the forecast income budget. Over recent years the pattern of income has been fluctuating as a result of changes to the regulatory framework and motorist behaviour. Income from penalty charges has reduced as residents are parking more responsibly, partly due to the Council's education campaigns and emphasis on civic pride. An action plan has been drawn up that includes use of automatic number plate recognition technology and more

targeted use of CCTV cameras. If the assumptions in the plan prove true this should largely address the shortfall. However, these improvements are only now being implemented and so it is not possible to provide full assurance as to its impact.

Disabilities

Demographic changes are leading to pressures in these demands led budgets. As the child population increases this includes an increase in numbers of children with special educational needs and disabilities leading to pressures on the budgets for support and transport for those with the most complex needs. This demographic change together with improvements in medical care and life expectancy has also led to an increase in younger adults living with severe disabilities in the community with a consequent increase in demand for social care services.

Homelessness

Across London, a combination of the increasing cost of housing and welfare reform is leading to increased pressures on household budgets leading in turn to higher numbers of households becoming homeless or at risk of homelessness. The same cost pressures also mean that providing accommodation for eligible households is no longer cost neutral to the Council. This has created an increasing pressure on the temporary accommodation budget. Additional funding was provided in last year's MTFs but the service is still facing severe pressures and a £1.0m overspend is forecast.

- 2.2 The table below shows the additional ongoing growth items forecasted for the service blocks outlined above. The growth items will be held centrally with a view of ensuring that recovery plans are implemented so far as possible in the first instance to manage down the overspends.

Ongoing Pressures added to the Budget	
Children's Care and Support demand	1,000
Waste and Cleaning Budget pressure	1,500
Shortfall in Parking Income	1,000
Court Costs Income Shortfall	300
Homelessness	1,200
Sub Total	5,000

3 Risks through future legislative changes and potential forthcoming pressures

- 3.1 There are a number of additional risks to the medium term financial position. The timing and financial impact of these risks is yet to be fully established but it is likely that they will have an impact on future planning potentially as soon as 2018/19.

3.2 Lifting of the public sector pay cap

There is currently a 1% pay cap on public sector pay rises. Cabinet agreed in July to remove the 1% provision in 2018/19 with a view that a 1% increase on pay will be contained by service blocks through holding vacancies and finding compensating savings from other budgets to contain the pressure. Discussions are now being held nationally to lift the pay cap, with proposals to potentially increase pay by up to 5%. The table below shows the cost of the various percentage pay increases to both the

General Fund and the Housing Revenue Account. These pressures are currently unbudgeted for in the Medium Term Financial Plan.

Size of Pay Award	General Fund Impact (£000's)	Housing Revenue Account Impact (£000's)
1%	1,042	145
2%	2,085	290
3%	3,127	435
4%	4,169	580
5%	5,211	725

3.3 **Children and Social Work Act**

The Children and Social Work Act (2017) has clarified and strengthened the duties of a Local Authority towards Looked After Children and formerly Looked After Children. In particular there is a new requirement to publish a Local Offer and to offer a personal advisor, a needs assessment, and a pathway plan to formerly looked after children until they reach the age of 25 even if they are no longer in education. (Previously this duty only extended to the age of 21.) Under the New Burdens doctrine we would expect to receive additional grant funding for this, though experience has shown that this may not cover all of the new costs.

3.4 **Homelessness Prevention Act**

The Homelessness Reduction Act (2016) will come into force from April 2018. This Act extends and enhances the duties of a Local Authority. This includes the requirement to take steps to prevent homelessness from 56 days and to help a wider group of homeless households than those currently eligible. The potential cost of this to an authority such as Barking and Dagenham has been estimated to be as high as £3.2m. The Government has announced an allocation totalling £1.022m over three years leaving a potential significant pressure on the Council's budget. A provision of £0.75m has been included in next year's budget plans to mitigate this pressure.

3.5 **Rollout of Universal credit**

Despite national concerns raised over the serious impact from the current rollout of Universal Credit the Government has indicated they are still planning the full roll out by April 2022. The Council is scheduled to roll out Universal Credits fully by March 2020 and there are concerns that this will lead to a significant build-up of arrears, bad debts and write off for both the housing revenue and the general fund, in respect of homelessness families and benefits claimed for children leaving care. The three Councils who have rolled out Universal Credit so far have reported to have accumulated £8m of arrears over a 4-year period. This will potentially have a significant financial impact on the Council and at present, this risk has not yet been factored into the Medium Term Financial Strategy.

3.6 **Investment Strategy Carry Costs**

Cabinet in September agreed a long-term Investment and Acquisition strategy. The Council will seek to enter into joint venture arrangements with other partners but it is likely that there will be direct investment required of up to c£250m in the first three years. The Council will potentially undertake borrowing of up to £2.4bn to construct and deliver 7,400 units over a 20-year period. As such, the MTFs will need to recognise the initial carry costs during the construction and build period. The carry

costs have not yet been factored into the budget gap. The MTFs will need to align itself to the Be First business plan to ensure that the revenue costs of borrowing adequately reflect the size, scale and pace in which the Be First accelerates the Council's regeneration programme.

3.7 **London devolution and London business rates pilot**

The Chancellor in his 2015 Autumn Budget encouraged the creation of devolution deals across the Country, with the view of devolving both funding and decision-making power to the Community, through an elected mayor. Although the Queen's speech on the 21st June was silent on devolution, London Government continues to push forward this agenda. The potential financial benefit of the London Business Pilot in 2018-19 is **£230m** across London.

3.7.1 **Business Rate Pool Governance**

Establishing a business rates pool in London will require each authority participating in the pool to agree to do so; and to also agree the terms upon which they will participate jointly with other members, including to appoint a lead authority as accountable body for the pool and to decide how the pool should operate. Participation in a pool in 2018-19 would not bind boroughs or the Mayor indefinitely. As with existing pool arrangements, the founding agreement would need to include notice provisions for authorities to withdraw in subsequent years. Local decisions would need to be taken by each authority to agree the terms of the legal agreement which would underpin the arrangements.

3.7.2 **Proposed benefits of the pool**

It is estimated the net financial benefit to London would be in the region of £230m in 2018-19.

Financial modelling has shown the net financial benefit from pooling based on the four options for distribution for Barking and Dagenham ranges from **£1.8m to £2.4m** (however it must be noted that this is based on the forecast growth rates and is subject to change). The Government's original proposal for the 100% business rates retention model expected local government to pick up additional burdens in recognition of the additional funding it would be retaining 100% of business rates. The additional burdens include funding for public health and the Transport for London grant. It must be clarified with London Councils that the additional growth modelled is net of the new burdens which are likely to transfer alongside the additional retained funding. It must be noted the growth figures have been calculated taking into account of ambitious growth targets and the retained growth will be based on actual changes in new businesses.

The selection of the desired option to distribute the financial benefits from London Pooling is still ongoing and is subject to discussion and agreement.

3.7.3 **Timescales**

1. The Leader's Committee and subsequently the Congress of Leaders and the Mayor have agreed in principle to go ahead with the pilot pool subject to each Council formalising the governance arrangements through various cabinet and executive committees. The meeting was held on 10th October 2017. The Leaders agreed an amendment to the first recommendation stipulating that in the event that the pilot pool continues, it should not last for more than two years

(i.e. beyond 2019/20) without a positive re-commitment by all participating authorities

2. A 2018-19 London Pilot would need agreement with Government at or around the Autumn Budget (22 November 2017).
3. A final detailed pooling agreement would then need to be negotiated with DCLG around mid-January 2018 with a launch date of April 2018.
4. It is recommended that the Council participates with the London Pooling Arrangements from 2018/19 for a period of two years unless a positive recommitment is made to continue with the pooling arrangements. In order to do so, the Council must disband its existing pooling arrangement as set out below.

3.7.4 Current Pooling Arrangements

The Council is currently in a pool with LB Havering, Thurrock Council and Basildon Council. The original pool was estimated to generate savings of £13.2m across four boroughs. However, due to the large number of appeals both Basildon and Thurrock have faced in recent years, there has been little gain to date from the pool. 2017/18 will be the first year that the Council stands to gain between £300k to £500k from the current pool.

The Leaders, Committee has agreed in principle to support the London Pool but have not currently selected the desired option to distribute the financial benefits. To be prudent, the MTFS has factored in £1.1m additional income in 2018/19 from London Pooling. Further gains from London Pooling will be set aside for Council priorities.

3.8 Care and Support Funding

- 3.8.1 Through the last Budget and Autumn Statement, the Government has made a significant new source of funding available to the Council for protecting adult social care, stabilising the market and reducing hospital delays. For the 2015/16 year, the Council had taken its own significant decisions around the rates it pays to providers for the adult social care. Raising the 'usual cost' of residential and nursing care by £100 per week, and retendering for a new framework of domiciliary care providers, together added around £2.5m to the running costs of adult care services. This additional pressure on the Council's budgets was met in the short term, but contributed to the overall need to find savings of £16m in 2018/19.
- 3.8.2 The allocation by the Government of the new 'Improved Better Care Fund' grant funds for 2017/18 to 2019/20 allows the Council to mitigate the substantial reduction in funding that would otherwise have to be borne by the adults' care and support services. Furthermore, we have made a significant investment in the local residential and domiciliary care markets, which is in the spirit of the grant, and intend to continue this work by using the new monies in the coming two years to support uplifts in rates where appropriate. We have planned a number of investments in continuing a high level of crisis response care services to support fast discharge from hospital, a measure on which we are one of the country's top performing boroughs. We also have important investments supported by the grant to enhance services, including in the new mental health social care service, employment support, and the rollout of the new social care electronic record

system. Finally, the grant allows us to contain some of the significant increases in demand for services that we have been seeing over the past year or so, and which seems set to continue into the next two years. As a result of the grant funding, the investment in adult social care services is able to increase, even as the resources that the Council has available to spend on it reduces.

3.8.3 Delivering the identified Children's Care and Support savings is predicated on strategies being implemented to contain a forecast growth in demand being contained. Plans to transform Children's Social Care are being brought forward so that efficiencies may be realised sooner. The creation of the Council's holistic intervention service – Community Solutions – has been designed to support children, young people and their families at the earliest possible point, providing access to services at the time they can have the greatest impact. This is expected to reduce pressure on acute, social care services. Innovative approaches to managing demand within the social care system such as the PAUSE project and the implementation of a greater range of services for children on the edge of care are also expected to reduce costs, whilst allowing wherever possible children and young people to remain with their families. There has also been a reprofiling of improvement activity, bringing forward some costs into the current financial year, and spreading other costs into future years more evenly.

4 Education Fund

4.1 The Department of Education has committed to moving to a National Funding Formula (NFF) for Schools and High Needs funding and a consultation was carried out last winter. Under those proposals all primary schools in LBBD would lose funding although some secondary schools would appear to have marginally gained.

4.2 The NFF and associated funding reforms will not be introduced in full in 2018-19; the Government has set out transitional arrangements for 2018-19 and 2019-20, with caps on gains in respect of schools considered underfunded, and minimum per-pupil cash increases in respect of all schools.

4.3 The Secretary of State for Education made an announcement on 17th July concerning Schools funding in which she confirmed that the Department of Education would be pressing on with the changes to the Schools Funding Formula. She announced that schools' budgets would receive an additional £1.3 billion in 2018-19 and 2019-20. This allows gaining schools to receive an increase of 3% per pupil in cash terms each year for two years, while the remaining schools would get an increase of 0.5% per pupil. The best estimates from bodies such as London Councils suggests pupil cost inflation running at least 1.6% for 2018/19. A key driver of school budgets is the cost of staffing so any increases in teachers' pay would increase this even further. This means that those schools receiving only 0.5% increase will still be facing a real term cut. It is expected that this will apply to most LBBD primary schools.

4.4 The High Needs Block funding for LBBD is expected to increase, however the increase is unlikely to meet fully the pressures on the block. Over time the new formula should shift funding towards LBBD; but at a national level this block appears to be significantly under resourced.

5 Progress on the transformation programme

- 5.1 In 2015 the Council recognised that the traditional salami sliced approach to savings would no longer work given the sheer scale of the future reductions needed. The Council embarked on a wide-reaching transformation programme which focussed on the innovative future shape of service delivery rather than the more traditional efficiency based approach.
- 5.2 A four-year plan was agreed as part of the 2017/18 budget which will re-shape the way the Council delivers its services whilst generating £47.9m of cost reductions. £9.2m of these cost reductions were incorporated into the 2017/18 budget with a further £11.3m of planned savings for 2018/19.
- 5.3 The transformation programme initiatives are shown in the table below:

Area	2017/18 Saving	2018/19 Saving	4-year ongoing Saving
Care and Support	4,352	3,539	11,228
Community Solutions	243	2,481	4,571
My Place/Parks	1,298	807	5,584
Growth and Commercial	1,550	3,726	19,002
Cross Cutting	1,833	792	7,556
TOTAL	9,276	11,345	47,941

- 5.4 A transformation programme of this scale cannot be without risk. Many areas are expected to fully achieve and potentially exceed their savings targets. Some areas however are complex and as such there is significant risk attached to those proposals. In setting the 2018/19 budget £2.7m has been set aside to recognise and mitigate this risk. This will be held centrally and only allocated when it is clear that a saving cannot reach the originally anticipated value.

6 Revised budget gap for 2018/19 to 2020/21

- 6.1 Based on the adjustments as outlined in section 3 of this report, and the risks in the implementation of the current £47.9m from the current transformation programme the revised gap is £12.5m for 2018/19. This is outlined in the table below:

	£M
Gross Revised budget gap for 2018/19 (February report)	26.3
Agreed Transformation Savings 2018/19	(11.3)
2018/19 Gap as presented in February Budget Report	15.0
Additional Service Pressures	5.0
Removal of contingent items	(6.7)
Transformation Programme Contingency	2.7
Reduction in Specific Grants /Other Pressures/Business Rates Pool Benefit	1.8
Additional Grant Funding	(5.3)
Revised 18/19 Gap	12.5
Planned use of reserves*	(2.8)
New Saving Requirement	9.7

*Current planning will require a £2.8m drawdown from reserves in 2018/19 to balance the budget

6.2 Proposals have been identified to close this gap and are described in the paragraphs below:

Proposal	Description	2018/19 Saving £000's
Street Lighting	This proposal is to replace the borough's existing street lights with low energy Light Emitting Diodes (LEDs) and installation of centralised street lighting energy management system.	80
Abbey Road	Abbey Road, one of the Council's investment properties, has increased significantly, with recent valuations of £26m against a cost of £24m. Rental payments from Abbey Road are being used to repay both the interest owed and a portion of the loan. The proposal is to not set aside a provision for the loan repayment.	600
Pension Fund	To prepay 2 years of employers' pension fund contributions in advance – to generate a return of 4.1%, which is the Pension Fund's discount factor.	1,200
Street Properties	To purchase a portfolio of street properties these will be let at a combination of LHA, Affordable Rent and market rents levels.	192
Employment and Skills	Explore, evaluate and implement an alternative delivery model for employment and skills services to absorb loss of grant funding. The European funding in this area will end in 2018/19	500
Street Cleansing	Review street cleansing in low footfall residential streets following an initial deep clean. Focus resource into high traffic areas, using more mechanical means. Tie into enforcement activity to regarding littering.	439
Summer Festivals	Review of the Summer Festival Programme.	269
Broadway Theatre	It has been previously agreed that an annual grant of £50,000 from the Council to the College will be paid for a period of three years. The final guaranteed grant payment will be made in 2017/18.	50
B&D Trading Partnership	As a new wholly owned Council company, will make a profit which will be paid back to the Council in dividends to the General Fund.	471

Proposal	Description	2018/19 Saving £000's
Review of Core Services	A review of core services such as finance, democratic services, legal and HR together with Strategic Services is expected to deliver ongoing efficiencies.	1,169
Children's Services	A review and extension of the current transformational proposals will deliver savings. In addition, the service is proposing to phase the implementation of improvement activities for young people.	1,300
Realignment of Public Health services	Realignment of a range of Public Health Services ensuring spend meets available budget. The Leisure Contract has released Public Health funding by providing some activities previously PH grant funded.	700
Efficiency Savings	A review of a number of services to reduce costs and/or drive up income. The initial review will include Pest Control, Music Services, Strategy & Performance, Trewern and Fees & Charges across the Council.	275
Adult Services	A series of investments and proposals are already in place to improve preventative activity and reducing longer-term care costs including: Community Solutions, the better use of assistive technologies, and work to drive up the quality of domiciliary care, extra care housing, and PAs.	800
Adult Care and Support Reserve	The Adult Care and Support earmarked reserve will be fully utilised in 2018/19 to enable the service to deliver its efficiency requirements and at the same time manage service demand.	1,601
TOTAL		9,646

7 Setting a balanced budget and Reserves

7.1 The table below summarises how the 2018/19 gap will be addressed and the knock-on impact of this approach in future years to 2020/21.

	2018/19	2019/20	2020/21	Total
In Year Budget Gap	21,781	16,976	18,089	62,174
Less Total Savings	(18,990)	(6,051)	(16,180)	(45,558)
Revised Budget Gap after Savings	2,791	10,925	1,899	15,616
Budget Gap C/F 2018/19		2,791		
Drawdown from Reserves	(2,791)			
Revised Cumulative Gap	0	13,716	15,616	

7.2 In order to balance the budget for 2018/19 it is proposed that £2.791m from balances held in the Budget Support reserve be drawn down. This approach brings with it risks in so far as this amount will not be available as a contingency to help manage future budget pressures.

- 7.3 The Councils current reserves position is shown in the table below. Currently GF balances as at 31st March 2017 stands at £19m and £28m for earmarked reserves.

		31 March 2017	31 March 2018	31 March 2019
General Fund balances		19,330	16,865	15,906
Total Earmarked Reserves		27,639	10,914	10,131
Departmental Reserves	ACS Reserve	1,601	1,601	1,601
	PSL Reserve	1,097	759	759
	Care Reserve	-	688	688
Public Health		161	161	161
Corporate restructuring		2,006	-	-
Insurance		1,689	1,389	1,389
Budget Support Reserve		11,199	0	-
VAT Market Repayment		201	111	51
Capital Investment Reserves		3,575	1,000	500
Legal Reserve		563	563	563
Collection Fund Reserve		1,581	1,581	1,581
Elections Reserve		223	223	-
LEP Housing Rentals Reserves		1,394	1,394	1,394
Other Miscellaneous		905	-	-
Council Entities		1,444	1,444	1,444

- 7.4 It is proposed that a Care Reserve is created using the former Butler Court reserve, transfer from Insurance reserves £250k, transfer from PSL reserve £100k and VAT reserve £50k.
- 7.5 The impact of drawing down the £2.8m of reserves to balance the 2018/19 budget is that the requirement of keeping the balances above £15m, as recommended by the Chief Operating Officer, will potentially not be met in future years putting severe pressure on the Council to manage its finances and replenish balances.
- 7.6 Appendix A shows the medium term 3-year position. If no further proposals or any other mitigations were identified, the potential cumulative draw on reserves over the next 3 years would aggregate to £32.1m. It is, however, recognised and expected that a business of the size of the Council would annually be able to identify new modernisation and efficiency proposals which would go some way to closing this gap. Further reviews of the 2019/20 position are planned as part of the Council's annual budget cycle.

8 Capital strategy

- 8.1 As part of the budget round a review of future Capital requirements is undertaken. New Capital proposals can be included where there is a funding source available. Any further Capital needed over and above proposals already in the medium term financial plan will need to be funded from borrowing. This will have a direct impact on the revenue position.
- 8.2 The MTFs has set aside £0.9m to fund the cost of borrowing, which enables the Council to invest £10m in its capital programme each year. Several bids were already put forward and agreed last year against the 2017/18 programme, which

amounted to £12.96m. Capital bids from prior years amounted to £3.35m, meaning there is £2.82m available for additional capital programme works for 2018/19 and £4.92m for 2019/20.

- 8.3 There have been requests for further capital funds amounting to £3.27m in 2018/19 and £2.94m in 2019/20. Further reports detailing these proposed capital expenditures will be tabled at a later date.

9 Proposed consultation process

9.1 Some savings proposals are based on efficiency and as such do not directly affect service delivery. These proposals are part of a normal ongoing process the Council undertakes to modernise its services and as such do not need formal consultation.

9.2 Changes to Public facing services require consultation and it is proposed that the following approach is undertaken to fully incorporate stakeholders and the public in the decision-making process on these items.

- An online budget consultation which will run for 6 weeks commencing in November.
- Face to Face events in Dagenham and Barking.

10 Timetable and process to Assembly

10.1 The Chancellors Autumn Budget which sets out the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility is scheduled for 22 November 2017.

10.2 Cabinet will be asked to approve the 2018-19 budget on 19 February 2018.

10.3 Assembly will be asked to formally approve the 2018-19 budget on 28 February 2018.

11 Financial implications

Implications completed by: Kathy Freeman, Finance Director

11.1 Financial implications are covered throughout this report

12 Legal Implications

Implications provided by: Dr Paul Feild, Senior Corporate Governance Solicitor

12.1 Local authorities are under an explicit 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 report contributes to that requirement. Specific legal advice may be required on the detailed implementation of any agreed savings options.

12.2 Where budgetary requirements proposals identify the need for the reduction of, or closure or discontinuance of a service or services, appropriate consultation will

need to be carried out. The savings proposals that affect staff will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet because the Public Sector Equalities Duty (“PSED”) set out in section 149 of the Equality Act 2010 obliges the Council in performing its functions “to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it”

This means an assessment needs to be carried out of the impact of financial strategy measures and a decision taken in the light of such information within the PSED context.

12.3 Further clarification has been given by the Supreme Court has recently endorsed the following general principles of consultation:

- That consultation must be at a time when proposals are still at a formative stage;
- That the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- That adequate time must be given for consideration and response; and
- That the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

12.4 If at any point a resort to constricting expenditure is required, it is essential that due regard is given to statutory duties and responsibilities. In particular the Council must have regard to:

- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must either be fulfilled or varied with agreement of current providers;
- any legitimate expectations that persons already receiving a service (that is earmarked for reduction) 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 that 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 following a statement of special educational needs;

- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
- the response to any consultation undertaken.

13 Risk management

13.1 In each of the areas set out in this report, the significant risks have been identified with some of the impacts from those risks highlighted for consideration. Mitigation for those risks is alluded to within this report and have been integrated into the implementation plan to deliver the Budget Strategy.

14 Equality impact assessments

14.1 Full Equality Impact Assessments will be carried out on all applicable proposed savings.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix A: Medium Term Financial Strategy, 2018/19 - 2020/21
- Appendix B: Agreed Transformation Savings to 2020/21