CABINET

17 February 2020

Title: Budget Framework 2020/21 and Medium Term Financial Strategy 2020/21-2023/24	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Deputy Chief Executive & Chief Operating Officer	

Summary

In February 2017, a budget report and Medium Term Financial Strategy set out how the Council was to transform to realise the unfulfilled potential of the Borough whilst confronting the challenges of austerity, population change and government policy. The operating model of the Council was fundamentally redesigned to deliver for our residents and put the Council in a secure and stable financial position.

This report sets out the progress made through Ambition 2020 and the contribution this has made to becoming financially self-sufficient. We have been able to invest in services in 2020/21 as a result of the savings and additional income that have been realised since 2017/18.

This report also sets out the:

- Proposed General Fund revenue budget for 2020/21
- Proposed level of Council Tax for 2020/21
- Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24
- Draft capital investment programme 2020/21 to 2023/24
- Update on the Dedicated Schools Grant and Local Funding Formula for Schools

The General Fund net budget for 2020/21 is £155.796m. The budget for 2020/21 incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by Cabinet in February 2017 and February 2018 together with changes in government grants and other financial adjustments.

The Council proposes to increase Council Tax by 3.99%. This includes 1.99% 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 £1,235.50 to £1,284.80, (£49.30) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £11.56 (3.6%) for a Band D property, changing the charge

from £320.51 to £332.07, of this £10.00 relates to the Police Precept.

The combined amount payable for a Band D property will therefore be £1,616.87 for 2020/21, compared to £1,556.01 in 2019/20. This is a total change of £60.86. At its meeting on 21 January 2020, the Cabinet agreed an enhanced Council Tax Support Scheme in order to continue to support local residents on very low incomes.

The proposed draft 4-year capital programme is £933.660m for 2020/21 to 2023/24, including £99.341m for General Fund schemes. Details of the schemes included in the draft capital programme are at Appendix E.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

(i) Approve a base revenue budget for 2020/21 of £155.796m, as detailed in Appendix A to the report;

(ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2020/21 to 2023/24 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report, including the additional cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;

(iii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to finalise any contribution required to or from reserves in respect of the 2020/21 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2020;

(iv) Approve the Statutory Budget Determination for 2020/21 as set out at Appendix C to the report, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, an Adult Social Care precept of 2.00% and the final Council Tax proposed by the Greater London Assembly (3.6% increase), as detailed in Appendix D to the report;

(v) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 9-12 of the report;

(vi) Approve the Council's draft Capital Programme for 2020/21 totalling £318.006m, of which £72.540m are General Fund schemes, as detailed in Appendix E to the report;

(vii) Approve the Flexible Use of Capital Receipts Strategy as set out in Appendix F to the report;

(viii) Note the update on Dedicated Schools Funding and approve the Local Funding Formula factors as set out in section 15 and Appendix G; and

(ix) Note the Chief Finance Officer's Statutory Finance Report as set out in section 15 of the report, which includes a recommended minimum level of reserves of £12m.

Reason(s)

The setting of a robust and balanced budget for 2020/21 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; London's growth opportunity and delivery of the priorities within available resources

1. Introduction and Background

1.1. In February 2017, cabinet was asked to approve a revenue budget and a medium-term financial strategy with significant implications for the council and the Borough more broadly. Baked into both were a set of proposals that, in the years to follow, would lead to the creation of an entirely new kind of council, one capable of meeting head on the fiscal, demographic and political challenges facing our Borough.

1.2. These challenges will make for familiar reading. In 2017:

1.2.1. We had one of the fastest growing and fastest changing populations in the country. The population of Barking and Dagenham rose from 164,000 in 2001 to 186,000 in 2011, and an estimated 198,000 in 2014. Population growth is set to continue. National statistics forecast a population of 220,000 by 2020, and up to 275,000 by 2037. The population is much more diverse than 15 years ago, since 2001 the proportion of the population from minority ethnic backgrounds has increased from 15% to 50%. That proportion is projected to increase to 62% over the next 25 years.

1.2.2. These demographic changes had increased demand for services, which was projected to continue increasing in line with the population. At the same time reductions in funding imposed by central government would make it impossible to meet those demands. By 2020, projected cuts in funding would mean that the Council will have roughly half the amount of money that we had to spend in 2010. At the same time, the pressures caused by the growing population and more complex needs mean that we will need an additional £50 million to meet rising demands. The 2017 budget report estimated that, if we did nothing, the council would suffer a shortfall of £71 million by 2020/21.

1.2.3. The Government was in the process of implementing reforms to national policy and legislation that would have a major impact on council services, residents and local businesses. These changes included: Welfare reform, such as a reduction in the cap in household benefits, and a freeze on working age benefits; reform of adult social care, and health and social care integration; the promotion of 'devolution deals' at regional or sub-regional levels; and changes to government funding for schools and continued government.

1.2.4. We were at the bottom of too many London league tables. People in our borough died earlier, had poorer health, and lower levels of education and skills than in most other London boroughs. Too many were insufficiently skilled. Too many were in low paid work. And too many struggled to find suitable accommodation to live in.

1.3. In 2017 we were clear that:

"The combined impacts of austerity, population change and government policy mean that we can no longer afford to meet the needs of our residents by spending more money on the kinds of services we have provided in the past. Instead the task is to re-focus what we do so that we identify the root cause of need and tackle it, so that people have a better chance of living more independently. Our job is to build resilience so that people are better able to help themselves."

1.4. At the same we were also clear that our Borough had enormous and unfulfilled potential, in part due to our proximity to central London and the availability of land in the Borough:

"Unlike most other areas, we have a once in a generation opportunity to secure the benefits of huge economic growth for our residents, so that no-one is left behind. No other part of Greater London has the potential to play the role that Barking and Dagenham does in the expansion of London's economy. Over the next 20 years, we have the potential for up to 50,000 new homes and over 10,000 new jobs in the borough. We can stand by and watch things happen, seeing inequalities increase and the weakest driven out of the borough or we can shape the future so that the whole community benefits and prospers."

1.5. Our task was to create a council that was capable of realising this opportunity whilst confronting the significant challenges set out above. In February 2017, cabinet approved a budget report and a Medium-Term Financial Strategy designed to do exactly that.

1.6. This was always a 20 year project. The Borough Manifesto set out the community's long term vision, and through Ambition 2020 we were creating an organisation capable of making it happen.

2. A new kind of Council

2.1. Core to the changes that were proposed in 2017 - as part of Ambition 2020 - was a new operating model for the council, moving away from an organisation designed around professional service silos, to one that is designed around what we need to achieve for our residents:
"Traditionally, local authorities reduce spending by department. We managed to do that between 2010 and 2014. But we cannot continue to do this. Other local authorities have outsourced or privatised services and dramatically reduced the size of their workforce. We have no desire to take those paths. The new arrangements we are implementing no longer have separate functional departments or directorates. Our organisation is being shaped around the needs of our people, the place, and our goals…

The delivery of services will be undertaken by a range of 'Service Delivery Blocks'. Some of them we propose should be in-house, and some should be at arm's length, so that they are able to generate the income to become self-funding and to reinvest. These Service Delivery Blocks are currently being implemented with the intention that the majority are in place and operational by the autumn of 2017. It's the implementation of these new services, the changing nature of how they will operate and their potential to generate more income that drives much of our ability to respond to the Councils fiscal challenge.

Vital to our success is the performance of our Council-owned companies. Our expectation is that the companies will become self-sufficient by 2022 delivering the outcomes we expect by working with the flexibility of the private sector and the ethos of the public sector being accountable to our elected Councillors."

2.2. This operating model was designed to enable the organisation to excel across five areas:

2.2.1. **Being commercially minded and financially self-sufficient: "***Making our Council commercially astute, with the capability to innovate and to maximise income, and a constant drive to improve our efficiency and productivity."*

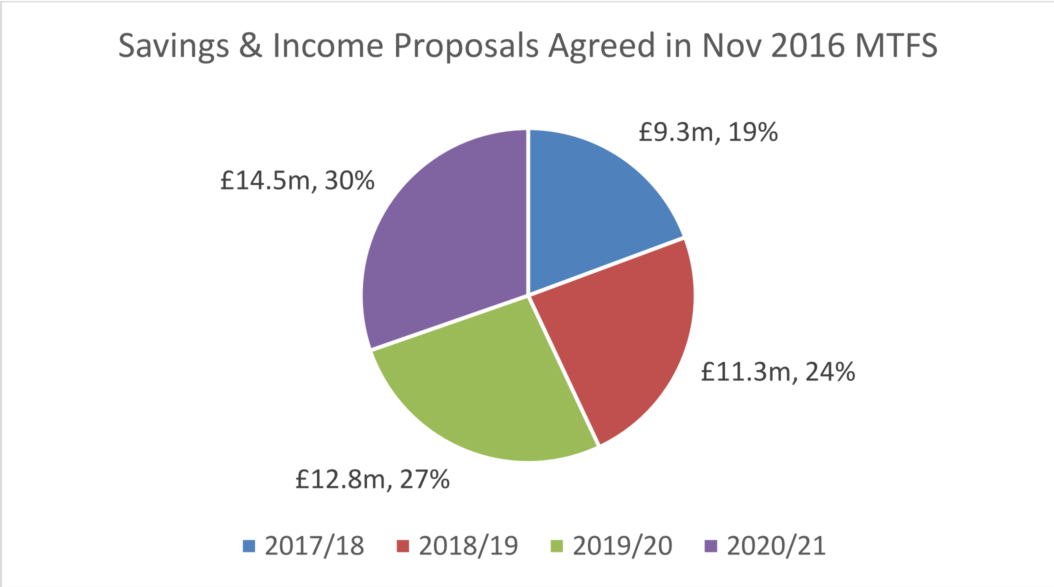
2.2.2. **Providing consistently outstanding customer service: "***We need to improve how customers get access to information and services and find innovative ways to enhance the customer experience and build trust whilst reducing demand and therefore cost."*

2.2.3. **Shaping a place that people choose to live in: "***That means creating and maintaining areas that are attractive and affordable. That includes excellent schools, a safe and clean environment, culture and leisure facilities, and heritage."*

2.2.4. **Building public engagement, greater responsibility and civic pride: "***This includes a focus on clean streets and enforcement, holding private sector landlords to account for the condition of property they own, and running a wide and varied Council events programme promoting a sense of community and attracting people to the borough."*

2.2.5. **Reducing service demand: "***A coordinated approach to reducing demand through early and effective intervention including key services such as social care, housing* *and integrated health."*

2.3. But it was also designed to put us in a secure and stable financial position, closing the financial gap without outsourcing or cutting services. The savings and additional income that were proposed totalled £47.9m over 4 years between 2017/18 and 2020/21. These amounts were built into the MTFS.



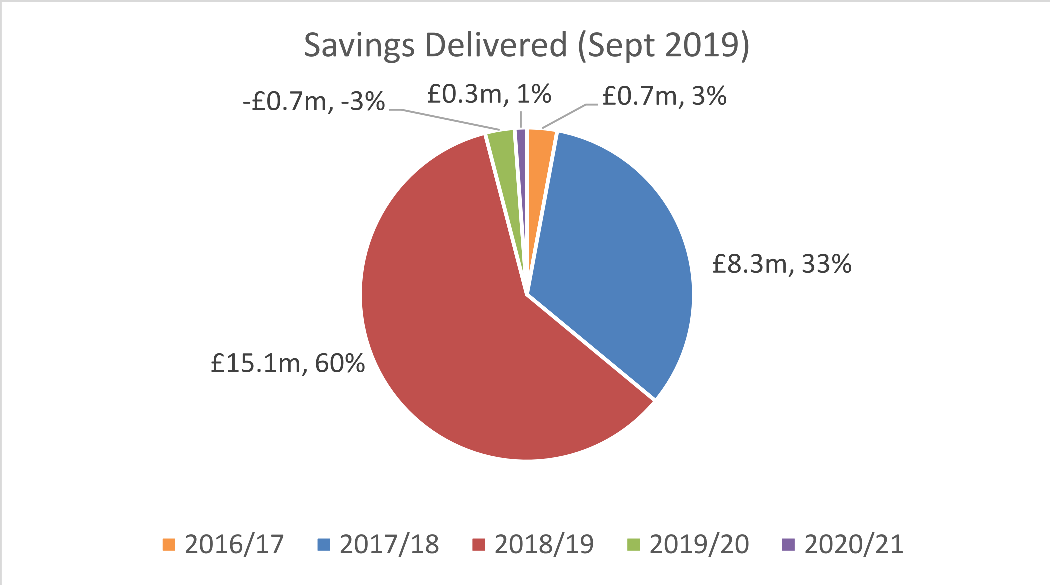
3. **Much done, much to do**

3.1. Over the last three years, Ambition 2020 has delivered 30 major change programmes. Our new operating model now exists and is operating successfully. No services have been cut, and nothing has been outsourced. There have been 450 voluntary redundancies, and 715 staff have transferred to one of our wholly owned companies. The programme has underspent by close to £6m, a saving which has been reinvested in the New Ways of Working programme, which has enabled staff from 29 locations to be consolidated into two offices whilst rolling out new IT systems and a culture of flexible working.

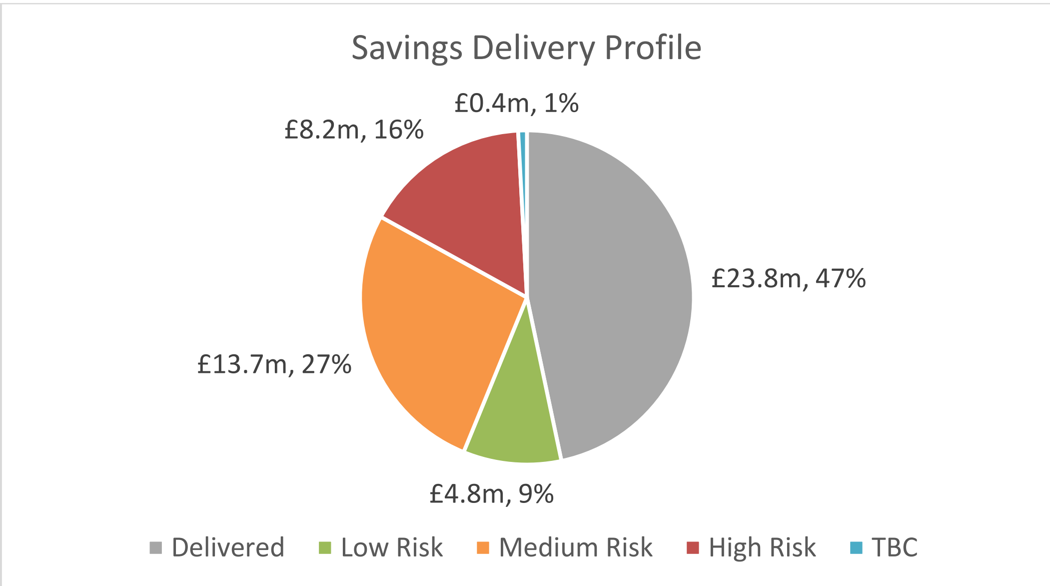
3.2. The programme is not yet complete. There are significant programmes of work that still need to be delivered, including the Elevate exit and the core transformation (the business cases for these elements were approved by Cabinet in January 2019). But we have come a long way in a very short space of time. Across each priority area, Ambition 2020 has delivered significant benefits to the organisation, despite there being more work to do.

3.3. **Being commercially minded and financially self-sufficient**

3.3.1. First, the money. Savings and additional income of £23.8m have been delivered so far. Whilst these have been delivered in a different profile to the original proposals, they have allowed balanced budgets to be set each year.

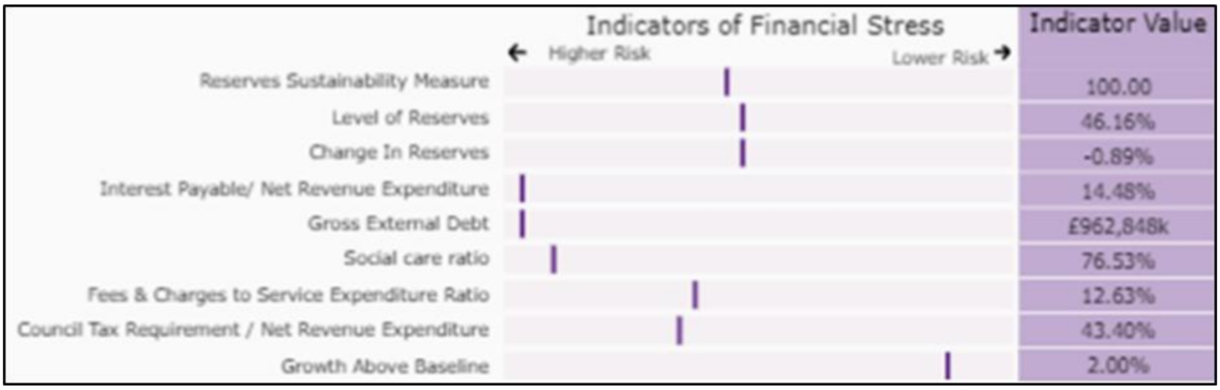


3.3.2. So far, 49% of the savings and income proposals totalling £47.9m have been delivered. In addition, further income has been generated by the Investment and Acquisition Strategy, increasing the total projected savings and income to £50.9m. The 51% of savings and income proposals still to be realised have been categorised into low, medium and high-risk proposals highlighting the continued need to monitor their delivery during 2019/20 and 2020/21.



3.3.3. During the implementation of the changes we have been able to manage our financial reserves in a sustainable way, ensuring that we use reserves strategically and focus on delivering what we've committed to do.

3.3.4. The CIPFA Financial Resilience Index analyses local authority finances using nine measures including level of reserves, rate of depletion of reserves, external debt, Ofsted judgements and external auditor value for money assessments. The index was launched in December 2019 and is based on data collected from the last four financial years.



3.3.5. One of the primary drivers of the resilience index is to provide an assessment of the sustainability of the reserves of a local authority. This is a key indicator by which the financial health of an authority can be measured and compared where we are relatively healthy.

3.3.6. The index provides an opportunity to look at other boroughs in relation to us and in this context it is fair to say we are “in the pack” and not one of the 10% of authorities that CIPFA have stated show ‘some signs of potential risk to their financial stability’.

3.4. **Providing consistently outstanding customer service:**

3.4.1. We have embraced a significant channel shift towards digital, with the development of a new website, a new set of e-forms and a new approach to telephony which prioritise typical user need and integrate with wider systems. As a result, call volumes have fallen from 63,000 per month to 52,000 per month, calls answered have risen from 75% to 92%, the average length of time people have to wait for an answer has fallen 5.8 minutes to 3.3 minutes. At the same time, in 2015 only 29% of our staff agreed that our IT system met the needs of our business, whilst in 2018 65% of our staff are satisfied with new laptops and monitors.

3.5. **Shaping a place that people choose to live in.**

3.5.1. Be First has dramatically increased the pace and scale of housebuilding in the Borough. Between 2010 and 2017, we delivered 866 new homes. As of 2018, the Be First pipeline contained proposals for over 3,000 new homes in the Borough between now and 2023/24: a 245% increase. And three quarters of these homes will be affordable, with many at council equivalent rents. Alongside new affordable completions from third party developers, this will allow us to comfortably meet the manifesto commitment of 2,000 new affordable homes by 2022.

3.5.2. And great places aren’t just about homes. Despite continuing to lag behind the rest of London, the creation of BDSIP has contributed to a significant upturn in school performance, with 92% of the schools in the Borough now good or outstanding (compared to 68% in 2014). We have expanded a regular programme of summer festivals, and we have invested £1m of match funding in our heritage offer, including Eastbury Manor House and Valence House.

3.6. **Building public engagement, greater responsibility and civic pride**

3.6.1. In 2017, we had a reactive press function with no campaign or digital capability. We had no community development or engagement team. And our relationships with the wider VCSE sector were poor. Today, we have an entirely new comms team with a significant digital and social media presence and a Borough wide newsletter with 13.5k subscribers and a click through rate of 4x (better than the industry standard). In 2017, we kicked off the largest programme of engagement the council has ever embarked upon, with over 3,000 conversations and Borough wide surveys leading to the production of the Borough Manifesto, our long term vision for Barking & Dagenham.

3.7. **Reducing service demand**

3.7.1. The creation of Community Solutions has had a significant impact on levels of homelessness in the Borough. In 2019, community solutions reduced the number of households in TA by 281 (from 1,925 in October 2017), and they reduced the number of evictions from temporary accommodation by 81%, saving the council £295k. They saw a 97% increase in the number of households who were at risk of becoming homeless approaching the council before they did. And there was a 209% increase in the number of residents accessing the homelessness prevention fund. Finally, the number of families living in the Borough who have no recourse to public funds was down to just 23.

3.7.2. On the other hand, as predicted, demand for Children's Social Care has increased since 2016. Looked after children numbers remain broadly stable, but overall, we have more children in the system. Population growth and demographic churn are drivers, but as we feel the impact of factors such as economic migration and welfare reform, demand for our services has grown at a rate faster than our population has. We have already taken steps to ensure Children's Social Care is able to cope with these rises through investing in the TOM and Improvement Programme. And we are refocusing our Early Help services so that they can also cope with the increased demand and begin to impact upon demand.

4. **Taking the next step**

4.1. The challenges facing our Borough and our people have not changed significantly since 2017. We still have one of the fastest growing and fastest changing populations in the country. We are still wrestling with the fiscal challenges brought about through austerity. And we are still dealing with the implications of government policy in relation to welfare and health and social care in particular. At the same time, we still have a population that faces significant health and wellbeing challenges, mirrored in the continued rise of demand on statutory services, in particular children's social care.

4.2. But we now have an organisation that is better equipped to confront these challenges than it has ever been. And whilst there is still work to do to, we now have greater financial freedom and flexibility than we have had since the onset of austerity. The question is, how do we ensure that over the next ten years, we are pointing this organisation towards the right set of problems?

4.3. Over the last year, we have been working been working hard to identify a set of strategic priorities for the council that will guide all future activity. These priorities reflect our belief that only by using our new kind of council to address structural inequalities in our Borough, can we realise our long term vision for the Borough, whilst confronting the challenge of rising demand.

5. Three strategic priorities

5.1. The MTFS is underpinned by three key strategic priorities for the council:

5.1.1. **Inclusive Growth.** All activity related to homes, jobs, place and environment will be organised into a single strategy, focused on intervening in our economy in order to improve economic outcomes for all residents.

5.1.2. **Prevention, independence and resilience.** All activity relating to people facing public service will be organised into a single strategy, focused on intervening in society in order to improve health and wellbeing outcomes for all residents, at every stage of life.

5.1.3. **Participation & engagement.** All activity related to community engagement and social infrastructure will be organised into a single strategy focused on giving every resident the power to influence local decisions, and to pursue their version of the good life.

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

6. Headline Financial Position

6.1. The Provisional Local Government Settlement was published on 20 December 2019. This is largely in line with the expectations that had been included in the MTFS and is subject to the finalisation of business rates baseline and section 31 grant calculations.

6.2. The medium-term financial challenge facing the Council reflects significant risks and a great deal of uncertainty. The scale of these risks will become more certain during the next year, following the new Government's first Budget and any subsequent Spending Review.

6.3. Revenue streams are likely to be under considerable pressure as the Government intends to change current funding mechanisms to reflect an increased emphasis on need and to reset the current business rates retention system:

- **Budget 2020** – The Chancellor of the Exchequer has announced that the Budget will be published on 11 March 2020. There is significant uncertainty in relation to local government funding beyond 2020/21 and the Budget will be the first opportunity to see the direction that the new Government will take.

- The **Fair Funding Review** of local government is likely to shift resources away from London. The design of new funding formula is predicated on moving to a more dynamic, realistic method of allocating funding that is able to respond to demographic changes. On this basis and considering the demographic changes within Barking and Dagenham, this approach may prove beneficial to us. We expect the new funding formula to be used to allocate funding from 2021/22.

- The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2021/22.

- The **New Homes Bonus** funding for 2020/21 is allocated for one year only and will not result in legacy payments in future years. It is expected that the New Homes Bonus funding will be wrapped up within the Fair Funding Review. It is unclear how the Government will incentivise local authorities to deliver additional housing within the new funding regime. Funding allocation are included in Appendix I.

6.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2020/21. In 2019/20 Revenue Support Grant was rolled into the baseline funding allocation as part of the business rates pilot arrangements. The total amounts should be compared and are in line with the expected small increase of £1.2m included within the MTFP. The table below shows the funding changes over the past few years and the increased reliance on business rates as a source of funding.

£m	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
RSG	36.7	28.8	0.0	0.0	18.0
Baseline funding	52.8	53.9	78.8	74.5	57.7
TOTAL:	**89.5**	**82.6**	**78.8**	**74.5**	**75.7**

6.5. The Council is currently part of the London-wide business rates pilot introduced in 2018/19. Initially, the pilot allowed London to benefit from retaining 100% of the business rate growth but this was reduced for 2019/20 to 75%. It had been assumed that the pilot would be further extended into 2020/21 however, the Government announced that they are terminating the London pilot after 2019/20 and suggested that London authorities could form a business rates pool.

6.6. London Councils is working with all London Authorities to set up a new business rates pool based on the original retention scheme in 2017/18, retaining 67% of business rates. Cabinet approved the Council's participation in the London pool in December 2019. The pool will share the benefits of business rates growth across London. The net impact of the change in 2020/21 is a pressure of £4m which is largely offset by increased top up funding/grant and also by business rates grants.

Business Rates Forecast	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Business Rates/RSG	(4,493)	(1,697)	(1,737)	(1,737)
Business Rates Levy Surplus 18/19 roll forward	871	-	-	-
Business rate change	3,359	187	(578)	(655)
Business rate pooling benefit (without SIP)	(314)	314	-	-
NET Business Rates changes	**(577)**	**(1,884)**	**(2,315)**	**(2,392)**

6.7. It should also be noted that the business rates "tariff and top up" levels have been reset. This means that the benefit of previous growth is now included in baseline funding and slightly increases the level of collection risk.

6.8. The forecast outturn for 2019/20 is an overspend of £8.318m as reported to Cabinet in January 2020. This can be mitigated through use of the budget support reserve though this would exhaust this reserve. Overspends in future years will result in draw down from the unearmarked general reserve which has a balance of £17m and a minimum balance of £12m (i.e. only £5m is available).

7. Council Tax

7.1. Barking and Dagenham maintained a council tax freeze from 2008/09 until Assembly approved an increase for the 2015/16 budget. The impact of not increasing council tax is cumulative over many years and this freeze resulted in a tax base that is now £15m lower than it would have been had it risen by 1.99% every year.

7.2. Given that government funding is reducing in real terms every year while the Council's costs are increasing the Chief Financial Officer strongly advises council tax should as a minimum keep pace with inflation to ensure that the council can continue to meet the demands placed upon it.

7.3. The provisional Local Government Financial Settlement for 2020/21 sets a maximum increase of Council Tax of 1.99% without incurring any penalties or being required to hold a referendum. It is therefore proposed that the general council tax increase should be 1.99%. In addition, an Adult Social Care precept may be levied of up to 2.0%.

7.4. The Council tax base report approved by Cabinet in January 2020. This shows an increase in the Council tax base of 2.4% compared to 1.5% that was included in the MTFS. However, this gain is offset by the reduction in the referendum threshold from 2.99% which had been included in the MTFS to 1.99% that the Government has proposed.

7.5. Details of the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2020/21 are yet to be confirmed.

7.6. It is proposed that authority is delegated to the Chief Operating Officer in consultation with the Cabinet Member for Finance, Performance and Core to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.

7.7. The council proposes to increase Council Tax by:

- 1.99% Local Authority Precept increase; and
- 2.0% increase for the Adult Social Care Precept

7.8. These increases will raise the level of Council Tax for a Band D property from £1,235.50 to £1,284.80, an increase of £49.30.

7.9. The Greater London Authority has provisionally proposed a 3.6% increase in its charge for 2020/21. This precept will increase the charge to a Band D property from £320.51 to £332.07, an increase of £11.56 (comprising an additional £10 for the Metropolitan Police and £1.56 for the London Fire Brigade).

7.10. The combined amount payable for a Band D property will therefore be £1.616.87 for

2020/21, compared to £1,556.01 in 2019/20. This is a total change of £60.86 in comparison to the Council Tax bill for 2019/20. As always there will be a Council Tax Support Scheme to help the poorest taxpayers.

7.11. The calculation of the proposed Council Tax for 2020/21 is shown in Appendix D.

7.12. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.

7.13. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.

8. Revenue Spending Proposals

8.1. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2019/20 and 2020/21 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix C.

Revenue Budget Summary	**2019/20 Original £m**	**2019/20 Latest £m**	**2020/21 Original £m**
Care & Support	72.292	73.696	82.757
Central Expenditure	0.893	(0.469)	4.792
Community Solutions	12.206	13.495	12.935
Contracted Services	5.385	5.385	0.794
Core	9.194	6.991	4.862
Education, Youth & Childcare	20.946	20.955	20.928
Inclusive Growth	0.220	1.108	1.117
Law, Governance & HR	(2.012)	(1.091)	(0.588)
My Place	17.705	17.636	17.844
Policy & Participation	2.669	3.204	3.303
SDI Commissioning	9.322	7.910	7.052
Total General Fund	**148.820**	**148.820**	**155.796**
Business Rates	(79.161)	(79.161)	(80.608)
Non-ringfenced grants	(7.873)	(7.873)	(7.656)
C/F Surplus	-	-	(1.745)
Corporate Funding	**(87.034)**	**(87.034)**	**(90.009)**
Council Tax Requirement	**(61.786)**	**(61.786)**	**(65.787)**

8.2. The 2020/21 budget is dependent on agreed savings being delivered totalling £12.7m. These are summarised below.

MTFS Savings (£m)	2020/21
Be First	2.247
BDTP (Home Services)	0.740
BDTP (Traded Services)	0.136
Children's	1.461
Community Solutions	0.970
Core & Elevate Exit	4.281
Customer experience & digital	0.310
Disabilities	0.250
Heritage & Culture	0.025
Investment & Acquisitions	1.392
Leisure	0.091
Parks Commercialisation	0.300
Public Realm	0.164
My Place (incl. street lighting)	0.329
Total	**12.696**

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

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

£'000's	2019/20	2020/21	2021/22	2022/23	2023/24
Total Original MTFS	5,386	8,509	8,509	8,509	8,509
JULY MTFS			5,449	5,449	5,449
NOVEMBER MTFS		1,909	-91	414	226
TOTAL MTFS INCOME TARGETS	**5,386**	**10,418**	**13,867**	**14,372**	**14,184**

8.5. These revised targets were set based on the forecasts from the companies available in September. The increase in dividend payments between 2019/20 and 2020/21 is £5m. The Council will be reliant on the subsidiary companies delivering the expected dividend payments in the relevant financial year. There is a significant risk to the MTFP if these dividends are not delivered.

8.6. The MTFS also includes the expectation of a return of £5m from the Investment Strategy and £0.7m from further commercial activity (Hotel scheme) which increases the level of commercial risk. The MTFS is included in Appendix B.

9. Current Service Updates

9.1. **Children's Care and Support -** In 2019/20 the Council spent around £40m on Care and Support for vulnerable children. Around half of this amount was spent on the costs of foster placements and residential care for Looked After Children with the other half spent largely on staffing and the costs of running the service. The number of children and adolescents in the borough is continuing to grow year on year and unfortunately there will always be a small proportion who face challenges and whose families may not be able to care for them as they need. The Council is increasing the budget allocated to the service by £4.5m in order to fund this growth while we have also redesigned the service in order to meet the particular needs of our population and to focus on prevention and supporting children to stay with their families wherever possible. At the same time, we are looking to make savings in the costs of care by commissioning placements more effectively. Altogether we expect to make £1.46m of savings across this service.

9.2. **Disabilities Care and Support -** The continuing improvements in medical care and life expectancy together with our growing population mean that there are increasing numbers of people living with severe and complex disabilities in our borough. We have recognised these needs by allocating £5m of growth funding to this service. This is partly funded from the Care and Support grants from Central Government and partly from the Council's own resources including Council tax.

9.3. **Adults' Social Care -** Although Barking and Dagenham is a comparatively young borough, nonetheless the number of older people requiring support is growing. In addition, there are high numbers of people in the borough with mental health needs. We have recognised these needs by allocating £3m of growth funding to this service. This also includes some element of the Care and Support grant and also the Social Care Precept on Council tax. There are no further savings required in 2020/21; however we are expecting to see the final implementation and benefit of savings initiatives from previous years being delivered in the next financial year. This includes the full year effect of changes to the Contributions policy for Social Care introduced in 2019.

9.4. **Community Solutions -** Community Solutions is expected to continue to deliver savings by more effective working and reducing demand for Council services especially in Housing. The number of households in temporary accommodation has reduced during 2019/20 and new kinds of provision including modular housing will come into operation in 2020/21. In addition, the service will make other savings from changes to its delivery of services. The total savings expectation is £0.97m. At the same time the Council is increasing funding of the costs of homelessness by £0.26m.

9.5. **My Place -** My Place is the Council's asset management service. It will continue to support delivery of the Council's capital programme and look after the Public Realm. There are expected savings to be delivered from reductions in energy usage in street lighting following the LED replacement programme, service efficiencies in both My Place and Street Cleansing and increases in Cemetery income.

9.6. **Leisure -** The Council continues to benefit from its partnership with Everyone Active with increased concession income being expected in 2020/21.

9.7. **Core Support Services -** As set out in the report to Cabinet in January 2019 the Council is unwinding its contract for support services with Elevate and a range of services will be transferring back to the Council. At the same time, we are reviewing the services such as Finance, HR and Commissioning provided from the Corporate Centre. We are also considering how we can increase income to the Council and how we can collect debt better. Altogether we are expecting to realise £4.2m of savings across the range of core, corporate and support services in 2020/21.

9.8. **Customer Services and Digital -** As part of the transfer back we will also review our customer services especially how we are responding to changes in technology and our customers' preferences about how to contact the Council. We expect this to achieve £0.31m of savings while improving the customer experience.

10. Investment Strategy

10.1. The Council continues to put our balance sheet to work. We are continuing to leverage our assets to generate financial returns to the Council and provide benefits for the community.

10.2. The Council has pursued an ambitious programme of investment. The target return included in the MTFS is £5.7m in 2020/21. This is dependent on investments delivering the expected return on time as outlined in business plans that have been agreed already. The cumulative borrowing total is expected to reach £774m in 2020/21, growing to £1,009m in 2021/22. Work is ongoing to ensure that the cost of financing the borrowing requirement is managed carefully in order to meet the target return in each year of the MTFS.

11. Capital Programme

11.1. The Council's current General Fund capital programme for 2019/20 is £66.072m for Services and £188.659m for the Investment strategy. The largest element of the Services programme is Schools/Education which is largely grant funded by the Department of Education.

11.2. The Council's Indicative General Fund Capital Programme 2019/20 to 2023/24 is set out below. A more detailed breakdown of the 2020/21 programme is set out in Appendix E. Cabinet are asked to approve the 2020/21 programme.

Capital expenditure	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
General Fund					
Adults Care & Support	£2,241	£2,241	£2,241	£2,241	£2,241
Community Solutions	£210	£0	£0	£0	£0
Core	£2,562	£3,492	£340	£340	£340
Culture, Heritage & Recreation	£1,750	£10,015	£450	£305	£150
Education, Youth and Childcare	£42,346	£42,958	£3,895	£0	£0
Enforcement	£1,269	£2,908	£0	£0	£0
My Place	£8,122	£3,625	£4,295	£4,295	£4,295
Public Realm	£7,571	£3,179	£50	£0	£0
New CIL	£0	£2,682	£0	£0	£0
New TFL	£0	£1,640	£1,323	£0	£0
TOTAL EXPENDITURE	**£66,071**	**£72,740**	**£12,594**	**£7,181**	**£7,026**
Financed by:	£0	£0	£0	£0	£0
Capital Grants	-£52,965	-£41,954	-£6,136	-£2,241	-£2,241
Section 106	£0	£0	£0	£0	£0
CIL/TFL	£0	-£4,322	-£1,323		£0
Revenue Contributions	-£340	-£340	-£340	-£340	-£340
Capital Receipts	£0	£0	£0	£0	£0
Total Net Borrowing Requirement	-£12,766	-£26,124,181	-£4,795	- £4,600,026	-£4,445
Investment and Acquisition Strategy					
Residential	£188,659	£253,047	£313,119	£155,660	£120,074
Commercial	£0	£0	£0	£0	£0
Financed by:	£0	£0	£0	£0	£0
Grant	-£22,360	-£21,395	-£5,701	-£32,099	-£19,448
Right to Buy Receipts	-£96	-£5,887	-£31,536	-£57,446	-£58,195
Sales / Shared Ownership	£0	£0	£0	£0	£0
Total Net Borrowing Requirement	£166,203	£225,765	£275,883	£66,115	£42,341
Transformation					
Transformation	£4,500	£6,495	£0	£0	£0
Financed by:	£0	£0		£0	£0
Capital Receipts/Reserves	-£4,500	-£6,495	£0	£0	£0

11.3. The budgets are indicative and may change as a result of budget roll-forward from the 2019/20 financial year, for example if there has been programme slippage or if additional external funding is provided. In particular the Department for Education has not yet set out its funding intentions in full beyond 2021/22. It is likely that the Schools programme will be increased in later years.

11.4. The MTFS includes provision to fund a corporate capital programme for operational requirements. £1m will be allocated each year for urgent and/or health & safety works. The allocation of remaining funding will be co-ordinated by the Capital and Assets Board. The 2020/21 capital funding available is £3.4m with similar amounts in following years.

11.5. The new bids include the following schemes (Note spend will cover 4-year period

2020/21 – 2023/24):

- CIL: New agreed CIL bids detailed in 15 October 2019 Cabinet report Allocation of Community Infrastructure Levy to Strategic Projects.
- New LIP funded projects agreed by TFL for 2020/21 and 2021/22.
- In Cab Technology: 235k Procuring in cab tech for waste vehicles and subsequent licences etc.
- Highway Improvement Programme: To Resurface/Reconstruct Footways and Carriageways on the borough's public highway network. £13.6m.
- In Borough Specialist Residential Home: £325k.
- Lake Enhancement Schemes: The project will include a combination of essential H&S works and improvements required to improve the physical lake environment. £600k.

11.6. Cabinet are asked to approve the addition of these bids to the programme profiled in line with the available funding.

12. Flexible Use of Capital Receipts

12.1. The Council intends to make further use of the flexibility provided by the Government to use capital receipts for the specific purpose of investment in transformation. Further information on the Council's approach is set out in Appendix F.

13. Dedicated Schools Budget

13.1 In December the Cabinet received a report about the Dedicated Schools Grant (DGS) and approved the principles for setting the local funding formula for schools. Since that time the Department for Education has published the DSG allocations for 2020/21.

13.2 As set out in the December report there will be no transfers between the DSG blocks this year. However, the Schools block has been topsliced to provide sufficient funding for growth – new classes that we expect to be required for September 2020 and to create a small fund to assist schools facing temporary financial challenges as a result of falling rolls.

13.3 The Schools funding formula has been set in line with the principles agreed by Schools Forum and Cabinet. The national rates (adjusted for area costs) have been used for all additional needs factors but the basic age weighted funding element has been adjusted to bring the funding balance between primary and secondary phases to the agreed ratio of 1:1.35. All schools have had their pupil led funding protected to give them an increase of 1.84% per pupil. Cabinet are recommended to approve the overall principles and the consequent funding factors which are set out in appendix G.

14. Consultation

14.1. A report on the Budget strategy was presented to Overview and Scrutiny Committee in December 2019, updating the Committee on funding assumptions and other factors affecting the MTFS.

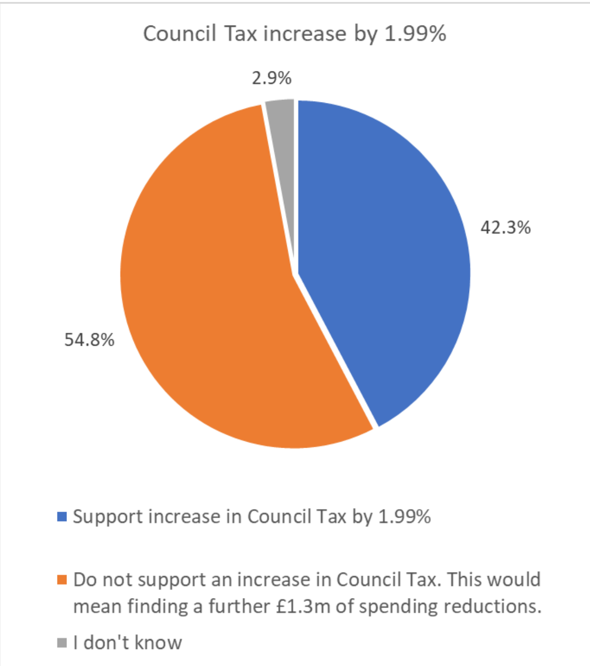
14.2. A consultation exercise on the budget with residents and businesses began in January 2020. The Council was interested to hear residents' views on the proposed social care precept and their views on the type of services that will need to be delivered in the future.

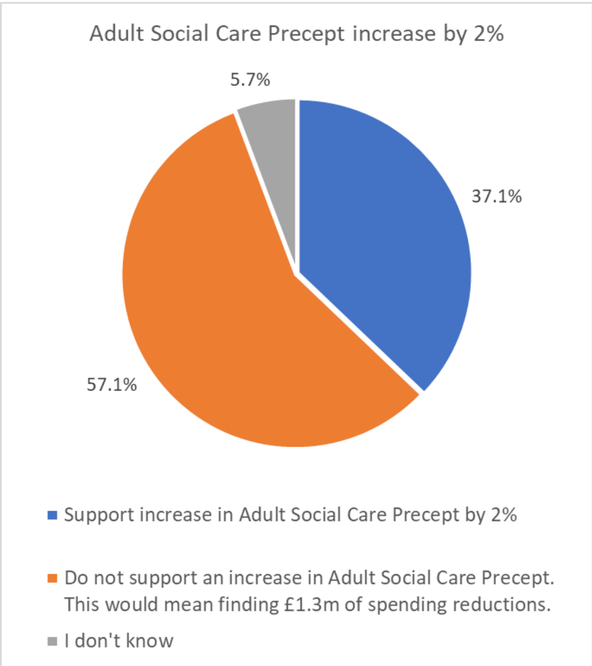
14.3. The exercise comprised a number of events as follows:

- An online budget consultation which ran throughout January
  The online survey was undertaken which had 105 responses.
- Social media posts from 6 January to 31 January
  The Council published 18 posts across Facebook (7) and Twitter (11). In total the content had 24,794 impressions across Facebook (14,000) and Twitter (10,794). The posts also generated 32 likes, 25 shares and 52 comments (this is excluding the Facebook Live, see below). In addition, there were 417 clicks through to the budget page and/or the consultation page.
- Facebook Live Q&A, 28 January 6.30pm
  As at 31 January, the live video has appeared in 6,000 Facebook feeds and has achieved 2,700 views, 23 reactions (likes and smiley faces), 13 shares, and 192 comments.
  The majority of questions were about social housing/regeneration and CPZs. Comments here: https://bit.ly/2U1yVQK
- Face to Face events in Barking and Chadwell Heath to which resident groups including business representatives were invited.

14.4. The online budget consultation was completed by 102 residents and 3 representatives of an organisation. The online survey asked 9 questions which provided the opportunity to include detailed comments on where the council should reduce or remove spending, where service users could be charged and where the council should focus when developing future budget proposals.

14.5. When asked for their views on raising council tax and the Adult Social Care Precept the results are shown below.





14.6. The areas where respondents would reduce or remove spending was on controlled parking zones, adult social care, green/bulky waste collections and councillor allowances.

14.7. Respondents supported charging or fining people for parking in front of schools, fly tipping, littering and not recycling.

14.8. There was support for continuing to develop housing and infrastructure, investing in community safety and policing and improving the environment within the borough.

14.9. As a result of the provisional local government finance settlement being published later than expected and a general election in December 2019, the consultation exercises started later than in previous years.

15. Statutory Report of the Chief Finance (S151) Officer

15.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of financial reserves. The Act also requires the Authority to which the report is made to have regard to the report when making decisions about the budget.

15.2. In this context, the reference to the Chief Finance Officer is defined in Section 151 of the Local Government Act 1972. This statutory role is fulfilled in this authority by the Chief Operating Officer.

15.3. In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £155.796m and council tax requirement of £65.787m for 2020/21 as set out in this report as robust. The level of reserves is sufficient to mitigate known risks during the forthcoming financial year taking account of the Council's financial management framework. However, the financial outlook over the medium term remains challenging with increasing cost pressures and uncertainty due to planned changes to the national local government funding framework, expected from 2021/22. The council will be required to remain proactive in delivering sustainable council transformation to ensure a balanced budget position can be maintained for 2021/22 and beyond.

15.4. The robustness of the underpinning financial planning assumptions on which the budget has been determined:

- Financial resources are appropriately aligned to the strategic priorities of the council with appropriate investment to meet priorities and respond to changes in demand.
- Savings have been identified in line with the Council's transformation programme and action plans are in place for their delivery.
- Appropriate actions are being taken to identify and collect outstanding debts owed to the council, including historic debts.
- Contingency budgets are held centrally to mitigate unforeseen cost pressures in the event they arise during the course of the year. This could be used to meet unexpected increases in demand led services or potential impact of a no-deal Exit from the EU.
- Employee budgets are based on the appropriate scale point although the cost of annual pay rises is expected to be absorbed within service budgets.

- Assumptions about future inflation and interest rates are realistic.
- Income estimates are based on updated forecasts against trend.
- Capital and revenue budgeting are integrated with the revenue consequences of the capital programme considered as part of the overall budget process.

15.5. Appropriate governance arrangements are in place to manage financial resource throughout 2020/21:

- Financial management is delegated appropriately, and commitments are entered into in compliance with Financial Regulations and Contract Rules as contained in the Council's Constitution.
- Effective governance arrangements are in place for budget monitoring and reporting during the financial year with corrective action taken to mitigate overspends where necessary.
- A risk assessment has been carried out on the revenue budget and this will be monitored and reported to Cabinet throughout the year.

15.6. An assessment of the funding framework for local government:

- The settlement figures provided in the budget are based on the provisional settlement. Any variations in the final settlement will be reported as part of quarter 1 budget monitoring 2020/21.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2019/20, where local referendum is required. The threshold for 2020/21 for general council tax if it rises by 2% or more, alongside a maximum 2% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2020/21 and the likely levels of collection and bad debt recovery.

15.7. In assessing the adequacy of reserves, the Chief Finance Officer has considered the level of reserves and undertaken a risk-based approach to assessing the minimum level of balances. For 2020/21 and 2021/22 the minimum level of General Reserves is recommended at £12.0m. The current level of the General Fund balance is £17.0m.

15.8. Earmarked Reserves are available to provide financing for future expenditure plans. Earmarked Reserves (excluding those held by schools under delegation) stood at £48.8m at 31 March 2019. These are forecast to be £34.6m by 31 March 2020.

15.9. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £12.3m at 31 March 2019. This reserve balance is forecast to be fully utilised by 31 March 2020. The underlying 2020/21 budget does not place undue reliance on reserves as general budget support.

15.10. The Council continues to face financial challenges over the medium term. The delivery of a balanced budget for 2020/21 is reliant on delivering savings of £12.7m in addition to those that are still outstanding from previous years. Further savings will need to be identified in 2022/23 and 2023/24. There is significant uncertainty in relation to local government funding beyond 2020/21 and the potential impact of changes to New Homes Bonus, the Business Rates Retention Scheme and the Fair Funding Review. The Council continues to maintain its focus on delivering transformation at pace and thereby securing financial sustainability.

16. Financial Implications

Implications completed by: Philip Gregory, Finance Director

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

17. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

17.1. As has been explained in paragraph 15 above the Local Government Finance Act 2013 requires the Chief Finance Officer to report on the robustness of the estimates for calculations and the adequacy of reserves to the Authority and that the Authority must take these matters into account when making decisions on the matters before it in this report. By law a local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of agreed savings options. Relevant legal considerations are identified below.

17.2. Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.

17.3. If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:

- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
- any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
- any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
- the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;

- to any responses from stakeholders to consultation undertaken.

17.4. 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.

18. Corporate Policy and Equality Impact

18.1. The Equality Act 2010 requires a public authority, in the exercise of its functions, to have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant protected characteristic. As well as complying with legislation, assessing the equality implications can help to design services that are customer focussed, in turn leading to improved service delivery and customer satisfaction.

18.2. The Council’s Equality and Diversity strategy commits the Council to ensuring fair and open service delivery, making best use of data and insight and reflecting the needs of the service users. Equality Impact Assessments allow for a structured, evidence based and consistent approach to considering the equality implications of proposals and should be considered at the early stages of planning.

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

Public Background Papers Used in the Preparation of the Report:

- Provisional Local Government Finance Settlement (https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021)

List of appendices:

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