

# ASSEMBLY

1 March 2023

<b>Title:</b> Budget Framework 2023/24 and Medium Term Financial Strategy 2023/24 to 2026/27	
<b>Report of the Cabinet Member for Finance, Growth and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Strategic Leadership Director:</b> Philip Gregory, Strategic Director of Finance and Investment	
<b>Summary</b> <p>The budget framework for 2023/24 is prepared in the context of high inflation, the cost of living crisis and continuing impacts from the Covid epidemic especially in Social Care, Health and Education and uncertainty about public sector finances. This Medium Term Financial Strategy (MTFS) shows how the delivery of a strategy for a well-run organisation goes hand in hand with organisational financial health.</p> <p>In addition to the volatility and complexity of delivering council services in this economic setting there is continued uncertainty facing the sector in light of plans to delay fair funding reforms and 75% business rates retention until 2025/26 at the earliest, whilst considering anticipated demands and pressures.</p> <p>The Government issued an Autumn Statement in November 2022 and the provisional Local Government Finance Settlement for 2023/24 was published on 19 December 2022. The Government have reaffirmed their ambition to 'level-up' funding across the country, however this has not yet been translated into the revision of funding formulae for 2023/24. Instead as an interim measure an indicative two-year funding settlement has been provided for 2023-24 and 2024-25. Whilst there is significant uncertainty surrounding funding for future years, Government have provided a policy statement setting out their direction of travel for 2024-25. Furthermore, the Government have announced their political intention to reduce public spending in the next parliamentary period after 2024/25. This has resulted in an extremely uncertain environment within which the MTFS has been prepared.</p> <p>This report sets out the:</p> <ul style="list-style-type: none"><li>• Proposed General Fund revenue budget for 2023-24</li><li>• Proposed level of Council Tax for 2023-24</li><li>• Medium Term Financial Strategy (MTFS) 2023-24 to 2026-27</li><li>• Draft capital investment programme 2023-24 to 2026-27</li></ul>	

- Housing Revenue Account budget 2023-24

The General Fund net budget for 2023-24 is £203.568m. The budget for 2023-24 incorporates decisions previously approved by Members in the Medium Term Financial Strategy including the savings approved by Assembly in previous years together with changes in government grants and other financial adjustments.

The Council proposes to increase Council Tax by 4.99%. This includes 2.99% for general spending and a further 2% that is specifically ringfenced as an adult social care precept. This will increase the level of Council Tax from £1,389.24 to £1,458.57 (an increase of £69.33) for a band D property.

The Mayor of London is proposing to increase the Greater London Authority (GLA) element of Council Tax by £38.55 (9.7%) for a Band D property, changing the charge from £395.59 to £434.14 of this £15 relates to the Police Precept, £3.55 for the London Fire Brigade and £20 as a contribution towards the cost of discretionary concessionary fares.

The combined amount payable for a Band D property will therefore be £1,892.71 for 2023-24, compared to £1,784.83 in 2021-22. This is a total change of £107.88. At its meeting on 17 January 2023, the Cabinet agreed an enhanced Council Tax Support Scheme in order to increase support for local residents on the lowest incomes.

The proposed draft 4-year capital programme is £1,172.973m for 2023-24 to 2026-27, including £88.505m for General Fund schemes. Details of the schemes included in the draft capital programme for 2023-24 are at Appendix F.

### **Recommendation(s)**

The Assembly is recommended to:

- (i) Approve a base revenue budget for 2023/24 of £203.568m, as detailed in Appendix A to the report;
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2023/24 to 2025/26 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report, including the revised cost of borrowing to accommodate the capital costs associated with the implementation of the MTFS;
- (iii) Delegate authority to the Strategic Director, Finance and Investment, in consultation with the Cabinet Member for Finance, Growth and Core Services, to finalise any contribution required to or from reserves in respect of the 2023/24 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2023;
- (iv) Approve the Statutory Budget Determination for 2023/24 as set out at Appendix D to the report, which reflects an increase of 2.99% 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 (9.7% increase), as detailed in Appendix E to the report;
- (v) Note the update on the current projects, issues and risks in relation to Council services, as detailed in sections 8-10 of the report;

- (vi) Approve the Council's Housing Revenue Account budget for 2023-24 as set out in Section 11 to the report;
- (vii) Approve the approach to updating the stock condition survey for the Council's housing stock, as referred to in paragraphs 11.5 – 11.8 of the report, and delegate authority to the Strategic Director, My Place, as advised by the Council's Procurement Board and in consultation with the Cabinet Member for Community Leadership and Engagement, the Strategic Director, Finance and Investment and the Chief Legal Officer, to conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements with the successful bidders;
- (viii) Approve the Council's draft Capital Programme for 2023/24 totalling £388.126m, of which £43.909m are General Fund schemes, as detailed in Appendix F to the report;
- (ix) Note the update on the Flexible Use of Capital Receipts Strategy as set out section 13 of the report;
- (x) Note the Chief Financial Officer's Statutory Finance Report as set out in section 15 of the report, which includes a recommended minimum level of reserves of £12m.

**Reason(s)**

The setting of a robust and balanced budget for 2023-24 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community: no-one left behind and delivery of the priorities within available resources.

**1. Introduction and Background**

- 1.1. This report sets the context for the future financial position for the London Borough of Barking and Dagenham and to seek agreement to proposals for the revenue budget for 2023-24 of £203.569m. The report also sets out the Medium Term Financial Strategy (MTFS) for 2023-24 to 2026-27 and the Council Tax level for 2023-24.
- 1.2. The MTFS is a statement on the council's approach to the management of its financial resources to meet its Corporate Priorities. The MTFS also considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks.
- 1.3. In July 2022, Cabinet approved an updated MTFS for 2022-23 including an indicative forward forecast for future years. This identified a cumulative savings gap of £14.8m during the MTFS period from 2023-24.
- 1.4. The wider context within which this Budget and MTFS has been prepared is one of unprecedented uncertainty. The financial sustainability of the Local Government sector continues to be extremely challenging. The impact of high inflation and the

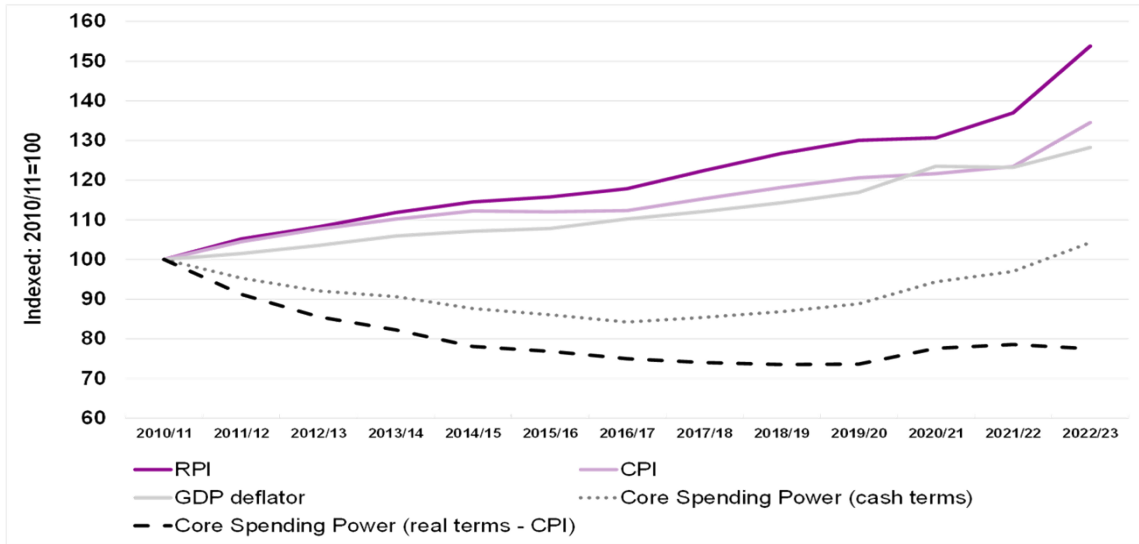
cost of living crisis have resulted in increasing operational costs and increasing demand for services that support the most vulnerable members of our community

- 1.5. There have been significant cuts over several years to the Revenue Support Grant from the Department for Levelling Up, Homes and Communities (DLUHC) which, combined with increasing demographic and demand led pressures, result in the need to identify savings and transformation proposals to deliver a sustainable MTFs. The 2023-24 Budget includes a number of savings and growth proposals.
- 1.6. The Government published their Autumn Statement on 17 November 2022. This set out the spending proposals for government, including DLUHC, for the next 5 years with a number of policy and funding announcements related to local government.
- 1.7. DLUHC published the provisional Local Government Finance Settlement on 19 December 2022 allocating funding to individual local authorities. These allocations will provide the basis on which the detailed budget for 2023/24 is prepared for approval by Assembly on 1 March 2023.
- 1.8. The Settlement provides a real terms funding increase for Local Government of 9.2% provided that councils increase council tax by the maximum amount allowed. However, DLUHC are anticipated to provide a further one year funding settlement for 2024-25 with indications on the direction of travel for later years although funding may be redistributed between local authorities as the Review of Relative Needs and Resources (Fair Funding) is introduced.
- 1.9. The absence of an indicative financial framework beyond 2024-25 significantly hampers the ability of the Council to assess the robustness of the MTFs beyond a two-year time frame, thereby increasing the uncertainty of financial projections from 2025-26 onwards.
- 1.10. When introduced, the Review of Relative Needs and Resources (Fair Funding) reforms and 75% business rates retention proposals are expected to be a benefit the council when introduced. These reforms were due to be introduced in 2020-21 following the four-year funding settlement. These reforms have now been delayed until 2025-26 at the earliest. The council has therefore lost the financial benefit from these reforms for 5 financial years resulting in a wider savings gap in these financial years.
- 1.11. The approach of the Council continues to be to invest in the borough to generate growth and prosperity, while redesigning and transforming council services to meet the needs of the community at a lower cost.

## **2. Medium Term Financial Strategy**

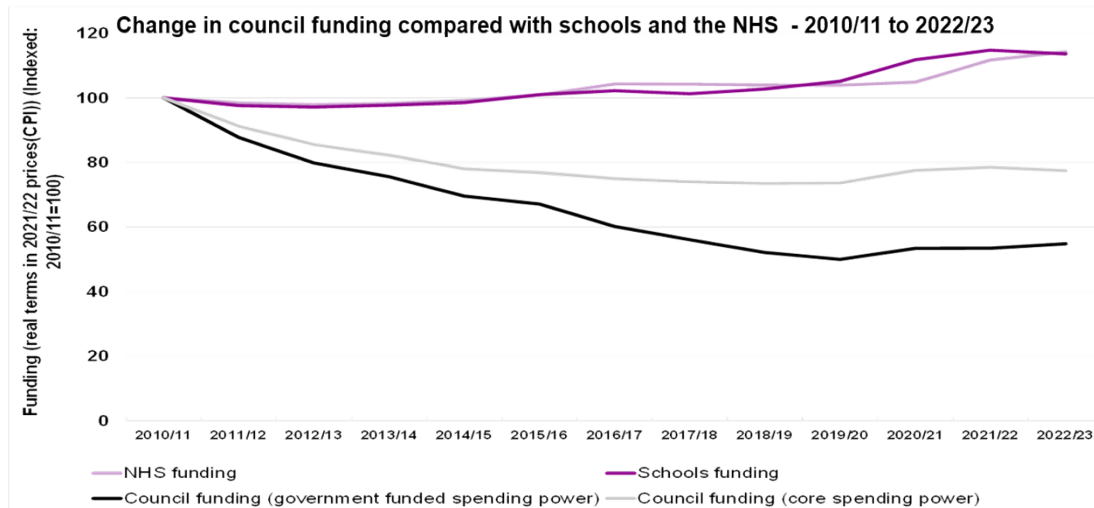
- 2.1. The funding the Council receives from government has consistently reduced in real terms since public sector austerity was introduced in 2010-11. Analysis from the Local Government Association (LGA) shows that Core Spending Power, the total funding from Government including from business rates and council tax, has reduced in real terms since 2010 compared to CPI.

## Core Spending Power has lagged behind inflation since 2010/11



2.2. Furthermore, local government funding has not kept pace with NHS or schools funding, despite an increased reliance on council tax within core spending power, as shown below.

## Councils have received less financial protection than schools and the NHS



2.3. The combination of reducing funding and a growing population meant the Council had to do something in order to be able to continue to provide services to local residents and businesses. The Ambition 2020 programme began in 2017 and delivered a new kind of council whilst delivering almost £50m in savings and increased income. A primary focus of the programme was to maximise housing, business and economic growth within the borough.

- 2.4. There is a savings target of £6.219m for 2022/23 including those brought forward from previous years. £3.600m of these savings are either fully achieved or expected to be achieved in year. £2.354m are at high risk of not being achieved at all with the remaining £0.265m being uncertain or only part achieved in year. The progress of the delivery of approved savings is reported in the regular budget monitoring reports to Cabinet. Any savings that are not delivered in full will result in an overspend and an increased drawdown on reserves.
- 2.5. The delivery of agreed savings is essential to deliver a balanced budget for 2023/24 and beyond. Where agreed proposals are deemed to be unachievable these should be replaced with alternative proposals by the service responsible, subject to Cabinet approval.
- 2.6. We have continued to invest in our services by focusing our resources to meet the needs of the community and deliver the priorities set out in the Corporate Plan. Our Borough Manifesto has 11 aspirations which form the long-term vision for the Borough:

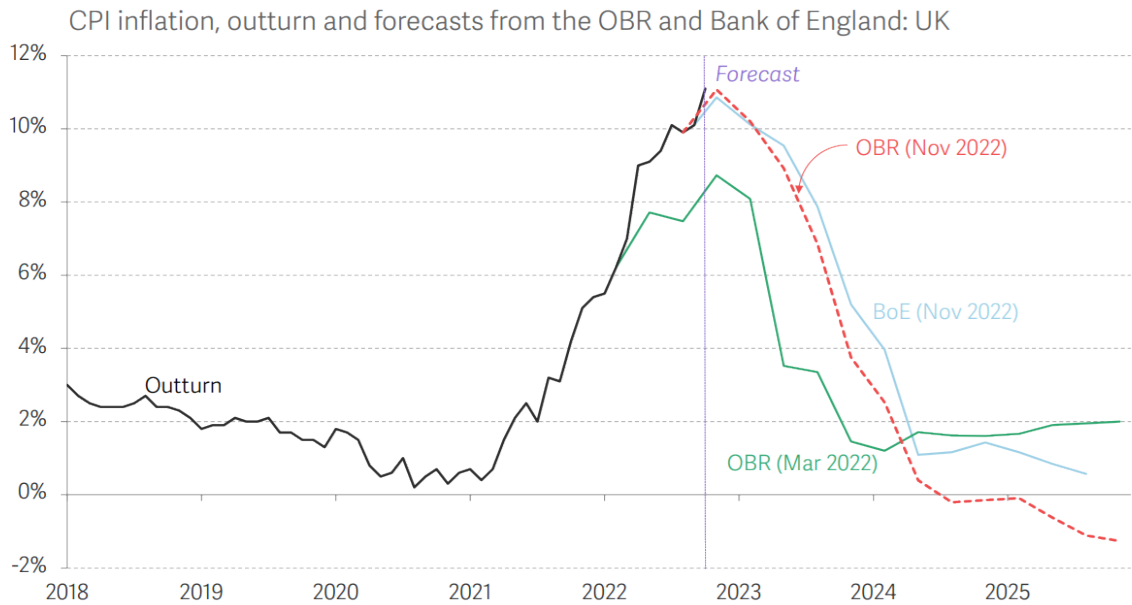


- 2.7. Over the course of many years the focus of the MTFs has been to deliver a transformed Council whilst maintain our financial sustainability. Over £175m of savings have been delivered since 2010. We have carefully set aside money into reserves will use these when necessary. This careful and prudent approach to financial management has enabled the Council to be in a position to maintain financial sustainability over the period of the MTFs.

- 2.8. The continued aim of the Council is to prioritise investment in services for the most vulnerable in a sustainable way. The Council takes an innovative approach to the way it delivers services and the way it finances these through the development of its investment and acquisition strategy. The investments made by the Council, including the creation of a number of subsidiary companies, are central to being able to continue to invest in services. These investments deliver significant financial returns to the Council and will continue to deliver over the MTF5 period.
- 2.9. Local authorities have managed financial uncertainty since 2010 and this uncertainty will continue throughout the period between 2023-2027. The Government have committed to their 'levelling-up' agenda and set an expectation that local government funding allocations will be revised from 2025-26 onwards. It is hoped that a key part of these reforms will reintroduce financial settlements over periods of more than one year, providing a greater degree of certainty with which to plan budgets. As one of the most deprived boroughs in the country it is not unreasonable to assume that the Council will benefit from these changes.

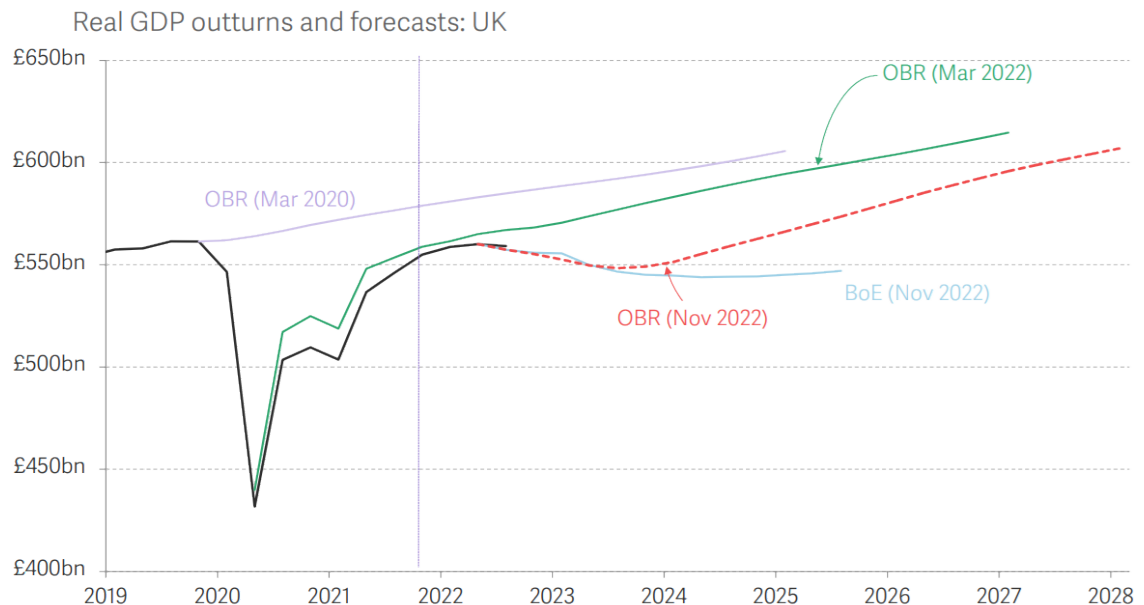
### **3. Cost of Living Crisis**

- 3.1. The cost-of-living crisis is driven by many factors that are primarily evidenced by increases in inflation (comparing current costs to how much they cost a year ago). There are a number of reasons for increasing inflation which started to increase in 2021 in large part due to increased spending on goods during the Covid crisis. As economies around the world, including in the UK, opened up after Covid restrictions eased, some businesses struggled to meet this extra demand because of difficulties in getting the materials used in their production. A proportion of the additional cost pressures faced by the council are driven by the Covid pandemic. As time has passed however, some of the additional costs have now become the "new normal" and it is becoming increasingly hard to draw a sharp distinction between Covid costs and business as usual.
- 3.2. Global, external factors continue to have an impact. Continued lockdowns in China have had an impact on the supply of goods. Russia's invasion of Ukraine has led to sharp increases in the price of energy. The war in Ukraine has also caused an increase in the price of many agricultural commodities, such as grain, which are needed to produce food.
- 3.3. Inflation has risen sharply to level not seen for many decades. On 16 November 2022, the Office for National Statistics (ONS) published data showing that twelve-month inflation in the Consumer Prices Index (CPI) was 11.1% in October (compared to 11.6% in Germany and 7.7% in the US). The Bank of England forecast that CPI inflation is expected remain above 10% during the next few months reflecting higher projected household energy prices. Inflation is expected to fall to the 2% target by the end of 2024 as shown below.



SOURCE: OBR, Economic and Fiscal Outlook, November 2022; Bank of England, Monetary Policy Report, November 2022.

3.4. The Office for Budget Responsibility (OBR) has slashed its forecasts for economic growth over the near term. The economy has already started to shrink, and the OBR forecasts a contraction of a cumulative 2.1 per cent in GDP over the five quarters between Q2 2022 and Q3 2023, as shown below. The economy will not regain its pre-pandemic size until Q4 2024. This is five years with no GDP growth: the economy is set to end this Parliament no bigger than it started. It is worth noting that the OBR forecast is more optimistic than the Bank of England forecast



SOURCE: OBR, Economic and Fiscal Outlook, various; Bank of England, Monetary Policy Report, November 2022.



## 4. Council priorities and Strategic Framework

4.1. The MTFS is underpinned by four key strategic priorities for the council to ensure that resources are aligned with their delivery:

- **Inclusive Growth.** All activity related to homes, jobs, place and environment will be organised into a single strategy, focused on intervening in our economy in order to improve economic outcomes for all residents.
- **Prevention, independence and resilience.** All activity relating to people facing public service is organised into a single strategy, focused on intervening in society in order to improve health and wellbeing outcomes for all residents, at every stage of life.
- **Participation & engagement.** All activity related to community engagement and social infrastructure is organised into a single strategy focused on giving every resident the power to influence local decisions, and to pursue their version of the good life.
- **Well Run Organisation.** This is a crosscutting strategic priority, concerned with the operation of the Council's support functions and the way in which our business is operated.

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

## 5. Headline Financial Position

5.1. The Provisional Local Government Settlement was published on 19 December 2022. This is subject to the finalisation of business rates baseline and section 31 grant calculations.

5.2. The medium-term financial challenge facing the Council reflects significant risks and a great deal of uncertainty. The scale of these risks will become more certain during the next year, following the expected consultation on the implementation of the Review of Relative Needs and Resources (Fair Funding) from 2025-26.

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

- **Autumn Statement 2022** – The Chancellor of the Exchequer presented the Autumn Statement on 17 November 2022. There is significant uncertainty in relation to local government funding beyond 2024-25. The Government have set out their ambition to 'level-up' funding for local government targeting local areas most in need.
- The **Review of Relative Needs and Resources (Fair Funding)** of local government is likely to shift resources away from London. The design of a new funding formula is predicated on moving to a more dynamic, realistic method of allocating funding that is able to respond to demographic changes. On this basis and considering the demographic changes within Barking and Dagenham, this approach may prove beneficial to us. The implementation of the new funding

formula to be used to allocate funding has been delayed until at least 2025-26.

- The **Business Rates Retention** scheme is also being redesigned and is expected to be introduced from 2025-26.
- The **New Homes Bonus** funding for 2023-24 is allocated for one year only and will not result in legacy payments in future years. It is expected that the New Homes Bonus funding will be wrapped up within the Review of Relative Needs and Resources (Fair Funding). It is unclear how the Government will incentivise local authorities to deliver additional housing within a new funding regime.

- 5.4. The Council will receive Government funding through Revenue Support Grant and Business rates baseline funding in 2023-24. The total amounts should be compared and are in line with the MTFP assumptions. The table below shows the funding changes over the past few years and the increased reliance on business rates as a source of funding.

£m	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
RSG	28.8	0.0*	0.0*	18.0	18.1	18.7	20.9
Baseline funding	53.9	78.8	74.5	57.7	57.7	57.7	59.8
<b>TOTAL:</b>	<b>82.7</b>	<b>78.8</b>	<b>74.5</b>	<b>75.7</b>	<b>75.8</b>	<b>76.4</b>	<b>80.7</b>

\* In 2018-19 and 2019-20 Revenue Support Grant was rolled into the baseline funding allocation as part of the business rates pilot arrangements

- 5.5. The Council took part in the London-wide business rates pilot introduced in 2018-19. Initially, the pilot allowed London to benefit from retaining 100% of the business rate growth but this was reduced for 2019-20 to 75%.
- 5.6. London Councils worked with all London Authorities to set up a business rates pool based on the original business rates retention scheme in 2017-18, retaining 67% of business rates. Cabinet approved the Council's participation in the London pool in December 2019. The pool shared the benefits of business rates growth across London during 2020-21. The net benefit of the scheme during 2020-21 became marginal as a result of the impact of COVID-19 on business rates across London.
- 5.7. The London business rates pool will not operate in 2023-24 due to the financial exposure across London should business rates income not recover as a result of COVID-19. This is unfortunate as the pilot and subsequent pool demonstrated that London Authorities are able to work together and deliver strategic infrastructure for the benefit of London overall.
- 5.8. The forecast for revenue support grant and business rates over the MTFP period is shown below. This is known as the Settlement Funding Assessment (SFA).

Business Rates Forecast	2023-24	2024-25	2025-26
Baseline Business Rates Funding (incl. S31 Grant)	59.858	63.097	63.097
RSG	20.876	22.024	22.024
<b>SFA</b>	<b>80.734</b>	<b>85.121</b>	<b>85.121</b>

- 5.9. The forecast outturn for 2022-23 is an overspend of c£12m as of December 2023. This can be mitigated through use of the budget support reserve. Overspends in future years will result in exhausting the budget support reserve and may result in a draw down from the unearmarked general reserve which has a balance of £17m and a minimum balance of £12m (i.e., only £5m is available).

## **6. Council Tax**

- 6.1. Barking and Dagenham maintained a council tax freeze for 6 years from 2009-10 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 £10m lower than it would have been had it risen by 1.99% in the years that council tax was frozen.
- 6.2. Since 2010 government funding has reduced in real terms every year while the Council's costs have increased. The Chief Financial Officer strongly advises council tax should as a minimum keep pace with inflation to ensure that the council can continue to meet the demands placed upon it, however the limit set by DLUHC for Council tax increases for 2023-24 is set at 4.99% which is significantly below inflation.
- 6.3. The provisional Local Government Financial Settlement for 2023-24 sets a maximum increase of Council Tax of 2.99% without incurring any penalties or being required to hold a referendum. It is therefore proposed that the general council tax increase should be 2.99%. In addition, an Adult Social Care precept may be levied of up to 2.0%.
- 6.4. The Council tax base report was approved by Cabinet in January 2023. This shows an increase in the Council tax base of 2.4% compared to an increase of 3.0% that was included in the MTFS. At the 2022-23 Council Tax charge of £1,389.24, this represents an increase in Council Tax income of £1.733m compared to the previous year. This represents a reduction in Council Tax income in 2023-24 of £0.450m compared to the amount included in the MTFS.
- 6.5. The Council saw an increase in the number of residents claiming Council Tax Support (CTS) during Covid-19 which reduces the number of chargeable properties in the tax base. The number of claimants has reduced during 2022-23 although this may go back up as a result of the cost of living crisis.
- 6.6. The Cabinet approved changes to the CTS scheme in January 2023 following consultation with residents. From 1 April the CTS scheme will be more generous and reduce the contribution from working age claimants from 25% to 15% of their council tax bill. The reduction in council tax collected is estimated to be £1.584m as more households become eligible.
- 6.7. In addition, the Council will increase the funding available within its hardship fund from the planned £50k to £500k in 2023-24. This funding will be available to support households which don't qualify for CTS but still find themselves in financial difficulty.
- 6.8. Details of all the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2023/24 are yet to be confirmed.

- 6.9. It is proposed that authority is delegated to the Chief Financial Officer in consultation with the Cabinet Member for Finance, Growth and Core Services to make the necessary adjustments using the funding provision or from reserves following confirmation of levy and final funding announcements.
- 6.10. The Council proposes to increase Council Tax by:
- 2.99% Local Authority Precept increase; and
  - 2.0% increase for the Adult Social Care Precept
- 6.11. These increases will raise the level of Council Tax for a Band D property from £1,389.24 to £1,458.57, an increase of £69.33.
- 6.12. The Greater London Authority has provisionally proposed an 9.7% increase in its charge for 2023-24. This precept will increase the charge to a Band D property from £395.59 to £434.14, an increase of £38.55 (comprising an additional £15 for the Metropolitan Police, £3.55 for the London Fire Brigade and £20 as a contribution towards the cost of transport services).
- 6.13. The combined amount payable for a Band D property will therefore be £1,892.71 for 2023-24, compared to £1,784.83 in 2022-23. This is a total change of £107.88 in comparison to the Council Tax bill for 2022-23. As always there will be a Council Tax Support Scheme to help the most vulnerable taxpayers.
- 6.14. The calculation of the proposed Council Tax for 2023/24 is shown in Appendix E.
- 6.15. It is proposed that any surpluses on the Collection Fund should be transferred to the Budget Support reserve.
- 6.16. Under the Local Government Act 1992, Council Tax must be set before 11 March of the preceding financial year.

## 7. Medium Term Financial Strategy Forecasts

- 7.1. The report to Cabinet in July 2022 set out the following financial forecasts over the medium term:

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Budget Gap (incremental)	7.115	0.670	4.117	2.924
Budget Gap (cumulative)	7.115	7.785	11.902	14.826

- 7.2. Following the publication of the provisional local government finance settlement, a review of the assumptions has been undertaken and the financial forecast has been updated as shown in the table below. This takes into account the growth and savings proposals that have been submitted by Strategic Directors.

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
<b>Budget Gap (incremental)</b>	<b>8.944</b>	<b>3.991</b>	<b>5.689</b>	<b>6.181</b>
Reserve Funding	(8.944)	0.000	0.000	0.000
<b>Budget Gap (cumulative)</b>	<b>0.000</b>	<b>3.991</b>	<b>9.680</b>	<b>15.861</b>

\*subject to consultation and approval

7.3. The MTFS set out in Appendix B shows a balanced budget for 2023-24 once reserve funding is taken into account. This is achieved through the prudent use of reserves to fund Invest to Save proposals totalling £643k and to bridge the remaining funding gap in 2023-24 as a one-off measure. There remains a requirement for further significant savings during the MTFS period.

7.4. The strategy to address the funding gap is through the following routes:

- Savings proposals: those that have been identified and those that are proposed for approval in this report.
- Delivery of the corporate plan priorities and agreed transformation programmes to deliver sustainability in the longer term.
- Continue to identify new investment opportunities to secure financial sustainability and deliver regeneration for the borough.

7.5. A summary of the savings and growth proposals is included for approval in Appendix C.

## 8. Revenue Spending Proposals

8.1. The overall budget requirements have been prepared in accordance with the strategy and the requirements for 2022-23 and 2023-24 are summarised below and included in Appendix A. The Statutory Budget Determination is included in Appendix D.

### Summary of Revenue Budgets:

Department	Original 22-23	Latest 22-23	Original 23-24
CARE & SUPPORT	129.989	131.900	115.640
CORPORATE MANAGEMENT	4.813	(0.255)	48.685
LAW & GOVERNANCE	(2.766)	(2.052)	(2.093)
STRATEGY	2.035	2.121	3.368
INCLUSIVE GROWTH	4.811	5.227	1.534
COMMUNITY SOLUTIONS	25.433	26.192	22.345
MY PLACE	18.745	19.927	14.089
<b>TOTAL GENERAL FUND</b>	<b>183.060</b>	<b>183.060</b>	<b>203.568</b>

Department	Original 22-23	Latest 22-23	Original 23-24
BUSINESS RATES + S31	(81.391)	(81.391)	(90.930)
C/F	0	0	0
NON-RINGFENCED GRANTS	(16.402)	(16.402)	(21.865)
COMPANY DIVIDENDS	(12.490)	(12.490)	(10.390)
INVESTMENT INCOME	(1.500)	(1.500)	(4.542)
NEW HOMES BONUS	1.073	1.073	1.938
<b>COUNCIL TAX REQUIREMENT</b>	<b>72.350</b>	<b>72.350</b>	<b>77.780</b>

- 8.2. The 2023-24 budget is dependent on agreed savings and additional income being delivered totalling £5.687m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Savings/Income Proposal	2023-24 £k
Care and Support	Early Help Investment deferral into 2024-25	(500)
Care and Support	Early Years & Childcare	(180)
Care and Support	Finance Review Officer	(57)
Community Solutions	Fund HAM Hub 40% through collection fund surplus - reserve transfer (Non-HRA)	(390)
Community Solutions	Deletions of vacant posts	(632)
Community Solutions	Stop Play and Comm Service (4.5FTE). Transfer to Family Hubs to be funded by Grant	(160)
Community Solutions	Transfer to VCS - WILLIAM BELLAMY CHILDREN'S CENTRE	(30)
Community Solutions	Transfer to VCS - LEYS CHILDREN'S CENTRE	(15)
Community Solutions	Transfer to VCS - SUE BRAMLEY CHILDREN'S CENTRE AND LIBRARY	(15)
Community Solutions	Creation of Heritage site at VALENCE LIBRARY + 2.5FTE Sc5	(130)
My Place	NRSWA Income Stream Opportunities - Public Highway	(52)
My Place	No longer have a dedicated Graffiti team.	(75)
My Place	Security of vacant land.	(10)
My Place	Reduce the opening days and times of the Town Hall and other buildings.	(50)
My Place	Closure of Pondfield depot	(25)
My Place	Increase the commercial income	(30)
Inclusive Growth	New Town Culture	(260)
Inclusive Growth	Line by Line Budget Review	(110)
Finance & IT	Contract Savings	(257)
Finance & IT	Oracle ERP Saving	(409)
Law & Governance	Parking Services Income	(2,300)
<b>TOTAL</b>		<b>(5,687)</b>

- 8.3. It remains vitally important that all approved savings are delivered to plan. Directors must be focussed on managing expenditure within their service budgets and delivering all agreed savings or implementing alternative savings proposals. This includes implementing action plans in order to manage and mitigate expenditure pressures.
- 8.4. The 2023-24 budget also includes new budget growth proposals totalling £10,673m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Growth Proposal	2023-24 £k
Care and Support	Care & Support Commissioning (SQA)	288
Care and Support	Adults' Care and Support and Commissioning posts following CPG approval (Legislative Change and Demography)	1,494
Care and Support	Impact of Adult Social Care Charging Reforms (Legislative Change) -Fair Cost of Care and Cap on Care - Market Cost	3,400
Care and Support	Inflationary Impact Modelling (Contracted Expenditure)	2,273
Care and Support	One off costs in Commissioning - Programme and Projects	279
Care and Support	One off costs in ASC operations	344
Care and Support	Fair Cost of Care Income 2022-23 reversal	(4,710)
Community Solutions	Temporary Accommodation Inflation	1,824
Community Solutions	Revenue Officers	42
Community Solutions	Council Tax Reduction Scheme (CTRS)	0
Community Solutions	Digitalisation	479
Community Solutions	Additional financial support for low income working age households through enhanced support within the Council Tax Reduction Scheme	163
My Place	Public Highway Reactive Maintenance and Management Inflation Risks	216
My Place	Waste services	791
My Place	Street Cleansing services	564
Inclusive Growth	Lakes & Watercourses	50
Inclusive Growth	New Town Culture	413
Inclusive Growth	Film Office income target reduction	122
Authority Wide	Procurement E-portal ongoing funding	72
Finance & IT	IT System Infrastructure & Data Management	1,064
Strategy & Performance	Membership & Subscriptions Inflation	44
Strategy & Performance	Procurement of phase 2 of our predictive analytics programme (currently delivered in the form of One View).	380
Strategy & Performance	Insight Team additional staff	80
Law & Governance	Safeguarding	290
Law & Governance	PRPL Budget Gap - Reduction in Contribution to GF	460
Invest to Save: (funded from reserve)		

Service Area	Growth Proposal	2023-24 £k
Inclusive Growth	Commercial Energy - Use better control to avoid costs	155
My Place	Highways - 2 Maintenance Posts to minimise future repairs	98
<b>TOTAL</b>		<b>10,673</b>

- 8.5. The 2023-24 budget also includes revised budget growth proposals for inflation and demographic growth totalling £14,372m. These are summarised below with a full description and any future year impact shown in Appendix C.

Service Area	Growth Proposal	2023-24 £k
Authority Wide	Staff Pay Award (4% assumption) & capacity building	8,359
Authority Wide	Energy costs and non-staff inflation	6,013
<b>TOTAL</b>		<b>14,372</b>

- 8.6. The existing MTFS includes savings and additional income totalling £1.290m. A full description and any future year impact is shown in Appendix C.
- 8.7. The existing MTFS includes budget growth totalling £6.655m. A full description and any future year impact shown in Appendix C.
- 8.8. 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.

£million	2023-24	2024-25	2025-26	2026-27
Be First	10.390	10.707	10.707	10.707
BDTP	0.000	2.100	2.100	2.100
<b>TOTAL INCOME TARGET</b>	<b>10.390</b>	<b>12.807</b>	<b>12.807</b>	<b>12.807</b>

- 8.9. The Council is reliant on the subsidiary companies delivering the expected dividend payments in the relevant financial year. There is a significant risk to the MTFP if these dividends are not delivered. In the short term, the Investment Strategy reserve will be used to smooth out dividend income.
- 8.10. The MTFS also includes the expectation of a return of £4.5m from the Investment Strategy and income 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** – Within this year there has been a slight increase in the number of residential placements, children in internal fostering placement and a slight decline in adoption placements. There has been ongoing improvement work and the initiation of Early Help, resulting in the number of Children within Children in Need being stepped down. Although these are positive signs this is still a very challenging area for the Council and nationally. A number of reviews were



completed within 2022 around Children's care. The CMA launched a market study into children's social care in England, Scotland and Wales which identified a lack of competition within the sector, Private sector providers realising higher than expected profits, and a failure in terms of provision matching need. This has resulted in increased competition for provision and inflated prices within the market. The independent review of Children's Social Care has also identified the need for additional funding to be injected into the system, with a focus on Family Help that supports Families earlier in the process. A key aim being Family Hubs which are to be delivered in Barking and Dagenham in 2023/24 funded from Government funding.

- 9.2. The economic climate will continue to impact on care providers further driving up costs as recruitment becomes increasingly challenging and running costs increase. The relatively young demographic makeup of our borough and the multiple challenges faced by some of our residents means that supporting our most vulnerable children and families remains our largest area of expenditure. These needs are expected to persist into next year and the number of children and adolescents in the borough is continuing to grow year on year.
- 9.3. In 2021/22 the Council spent around £42m on Care and Support for vulnerable children, C£2m over budget; the level of spend is forecasted to remain c£43m, forecasting at P9 to be c£3m over budget for this current financial year 2022/23. The Council has increased the budget by £0.614m in 2022/23. In addition, the Council invested £2m in the Targeted Early Help service. This is with a view to realising better outcomes for Children and families and to prevent Children migrating through the service requiring a higher level of support. This is in addition to substantial budget growth provided in 2020-21 and 2021-22. Within this financial year an additional £0.5m will be invested into Early Help and £1m into Children's Social Care.
- 9.4. **Disabilities Care and Support** - Continuing medical advancements mean an increased life expectancy of people living with severe and complex disabilities in our borough, and we are seeing a significant number of children with special educational needs and young adults living longer with much more complex needs. We are also realising increased disability because of lifestyle within the Borough. Previous reviews of the service and development of the Disabilities Improvement Programme identified the need for significant investment in assessment, support, and prevention especially for children and young people. These were in previous years recognised by allocating £6.8m of growth funding to this service. This is partly funded from the Care and Support grants from Central Government and partly from the Council's own resources including Council tax. Last financial year we provided a further £0.6m of growth. This finance year we will continue to invest to offset demographic and inflationary pressures.
- 9.5. **Adults' Social Care** – Adult social care has been a real area of focus for the current Government as we see the Social Care sector and NHS in crisis. Market sustainability and fairness for private funders has been high on priorities for the Government as has ensuring that bed blocking does not hinder the NHS. The Government launched the Fair Cost of Care and Cap on Care initiatives, and although in the recent Autumn statement these initiatives have been delayed by two years the remain very much in the forefront of provider and Local Authority minds. The market is an increasingly challenging place for providers with recruitment

becoming increasingly difficult and running costs inflating with the current economic challenges. It is becoming harder for providers to operate and therefore having concluded a market review we are investing nearly £3m into the Care Provider market by increasing the rates which we will pay. In addition, the regulatory landscape has changed with CQC inspections of Councils to be completed. Therefore, several posts have been included as growth, amounting to £0.9m.

Adult Social care has not currently caused pressure within Barking and Dagenham but the trends on the number of Older people within the Borough is set to change within this MTFs period. We have previously invested in this area with significant budget growth for Adult services in 2020-21, allowing us to meet the needs of vulnerable Older People and the increasing numbers of residents with mental health needs. Maintaining this level of investment in 2021-22 and provided a further £0.6m of investment in 2022-23.

- 9.6. **Community Solutions** - Community Solutions continues to provide a range of frontline service supporting our residents in challenges such as debt, unemployment, homelessness, providing advice and support for several universal services including those commissioned by Care and Support and Library Services for all. The delivery of initiatives such as community banking, the HAM Hub continue to support residents, and there are further developments as this service provides the lynch pin in response to the cost-of-living crisis and partnership working with the voluntary sector.

There are significant investment and saving initiatives within Community Solutions. Key schemes such as the Council Tax Reduction Scheme remodel will support those most in need within the Borough, there is investment in ensuring that our digital offer for residents to contact us continues to develop. Savings initiatives are looking at delivering services more efficiently and removing vacant posts.

- 9.7. **My Place** - My Place delivers the Council's "place-based" services that is housing management and environmental services such as waste, recycling and parks and also asset management. It will continue to support delivery of the Council's capital programme. Over the next few years there will be a need to increase waste collection and street cleansing into the new housing developments in the borough and also investment in changing our services to meet the National Waste Strategy standards and residents' expectations while contributing to carbon reduction. In 2023-24 we are providing £1.656m more funding to support these new services and also inflation costs of fuel and maintenance. We will also be realigning the budget for income received from the HRA.
- 9.8. **Enforcement**- As the Council continues to prioritise safety with Safer School Streets and expand its Parking policy, Parking is forecasting an additional £2m based on current performance in the MTFs. This is income from a mixture of fines and commercial income and potential additional markets activity. This income will be focused on highways improvements, green strategies, and safety.
- 9.9. **Core Support Services** –There is a clear need to invest further in our IT infrastructure so that we can continue to improve efficiency, make services more accessible online and also ensure data security and protection from cyber attack. We are therefore investing £1m in IT services – offset by savings of £0.67m from changes to our main business systems and other efficiencies. We are also

providing capital funding to renew laptops and other devices to help staff work as flexibly and efficiently as possible.

- 9.10. At the same time, we are investing in our data analysis and insight capability to help us continue to understand our residents' needs. This is especially important at a time of rapid growth and change and will help ensure that we are being effective in meeting appropriate services for our current population and can target those most in need of help.
- 9.11. **Leisure** - The Council has a long-term agreement with a Leisure Provider to manage its leisure facilities. This previously provided income to the Council in the form of a concessionary fee but the impact of the pandemic meant this was not received for a number of years. It is however due to increase again by £0.6m this year.
- 9.12. **Concessionary Fares** The borough makes a contribution to TFL for the costs of free and subsidised public transport for older and disabled people. The amounts charged depend on the cost of fares and the level of activity. This means that the cost to the Council reduced sharply over the past years but is now projected to grow steadily again. This financial profile has been built into the budget with an increase of £0.785m in 2023-24.

## **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 investment and acquisition strategy (IAS) over the past few years. The target return included in the MTFS is £6.6m in 2023-24 from residential and commercial rents, treasury outperformance and leases. This return is dependent on investments delivering the expected return on time as outlined in business plans that have been agreed already
- 10.3 The cumulative General Fund borrowing total is expected to reach £866m in 2022-23, growing to £1,315m in 2025-26. Work is ongoing to ensure that the cost of financing the borrowing requirement is managed carefully in order to meet the target return in each year of the MTFS
- 10.4 Further detail on the Investment Strategy can be found in the Treasury Management Strategy Statement also on this meeting's agenda

## **11. Housing Revenue Account**

- 11.1. In January the Cabinet approved a below inflation increase in rents and service charges for tenants. This is offset by a reduction in stock numbers as a result of Right to Buy and the Estate Renewal programme. The total income increase for the HRA is therefore an increase of £6.246m.
- 11.2. The expenditure budgets will also increase with inflation – especially energy inflation and the pay award.

<b>HOUSING REVENUE ACCOUNT BUDGET</b>	2022/23		2023/24	%
	BUDGET	CHANGE	BUDGET	Change
<b>Income</b>	£000	£000	£000	
Dwelling Rents	(£88,255)	(£2,178)	(£90,432)	2%
Non Dwelling Rents	(£770)	£5	(£765)	-1%
Charges for Services & Facilities	(£22,186)	(£3,972)	(£26,158)	18%
Interest & Investment Income	(£299)	(£101)	(£400)	34%
<b>Total Income</b>	<b>(£111,509)</b>	<b>(£6,246)</b>	<b>(£117,755)</b>	6%
<b>Expenditure</b>				
Repairs & Maintenance	£24,215	£258	£24,473	1%
Supervision & Management	£43,523	£4,871	£48,394	11.2%
Rents, Rates, Taxes & Other	£950	£637	£1,587	67.1%
Interest Charges	£10,944	£356	£11,300	3%
Provision for Bad Debt	£3,309	£0	£3,309	0%
Leaseholder Provision for Major Works	£1,281	£419	£1,700	100%
Corporate & Democratic Core	£1,003	£99	£1,102	10%
<b>Total Expenditure</b>	<b>£85,223</b>	<b>£6,641</b>	<b>£91,864</b>	7.8%
<b>NET REVENUE SURPLUS</b>	<b>(£26,286)</b>	<b>£395</b>	<b>(£25,891)</b>	-1.5%
Used to Fund Capital Programme - as follows				
Depreciation	£17,088	£2,122	£19,210	12%
Revenue Contribution to Capital Outlay (RCCO)	£9,198	(£2,518)	£6,279	-32%
<b>CAPITAL PROGRAMME</b>	<b>£26,286</b>	<b>(£395)</b>	<b>£25,891</b>	-3.0%

- 11.3. The amount of funding available for capital is therefore £0.395m less than was budgeted for in 22-23 and less than the £27.181m planned programme. If the full programme is achieved, the difference of £1.29m will need to be funded through borrowing at a potential cost of £0.077m (assuming 6% interest rates).
- 11.4. The Council is continuing to work to ensure its homes are safe and suitable accommodation. Issues have recently been discovered with the insulation in two blocks that requires rectification. This will be an addition to the capital programme. Further information will be brought back in due course.
- 11.5. In order to further inform the HRA Stock Investment Programme and update the stock condition data held on the Council's HRA stock, My Place are proposing to initiate a rolling stock condition programme which will survey external elements (roofs, windows, doors etc), internal elements (kitchens, bathrooms, heating systems etc), communal elements (lighting, safety systems, lifts, staircases etc) and wider estate elements (reviewing security and safety environments).
- 11.6. These new surveys will supplement and update the information captured during the last Stock Condition Survey (last carried out 5-years ago in 2018) and will include additional elements that will assist with other corporate priorities such as carbon reduction and estate renewal.

- 11.7. Rather than capture this data as a one-off exercise, it is proposed that a rolling programme is adopted, comprising annual surveys to 20% of the housing stock (c3,500 dwellings) with a 10-20% proportion of these (c350-700 properties) having internal surveys.
- 11.8. The surveys will be funded via the Stock Investment Programme and will be subject to an appropriate procurement process, which will be confirmed by the Council's Procurement Board.
- 11.9. Cabinet approved this approach to updating the condition data of its housing stock, to the process outlined in this report, to seek Procurement Board approval of the most appropriate procurement route and delegate authority to the relevant Chief Officer in consultation with the Portfolio Member, Strategic Director of Finance and Director of Law and Governance to enter into the contract.

## 12. Capital Programme

- 12.1. The Council's current gross General Fund capital programme for 2023-24 is £43.909m for Services and transformation, £317.037m for the IAS strategy and £27.181m for the HRA. Included in the General Fund budget is spend on Schools/Education of £18.179m which is largely grant funded by the Department of Education
- 12.2. The Council's Indicative General Fund Capital Programme 2022-23 to 2025-26 is set out below. A more detailed breakdown of the 2022-23 and 2023-24 programme is set out in Appendix F. The Capital spend in the appendix is also gross, with financing noted next to each scheme. Assembly are asked to approve the updated 2022-23 programme and the proposed 23-24 programme.

<b>Capital Expenditure</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>General Fund</b>				
<i>Gf - Adults Care &amp; Support</i>	1,617	3,696	0	0
<i>Gf - Inclusive Growth</i>	8,047	2,969	0	0
<i>Gf - CIL</i>	731	0	0	0
<i>Gf - TfL</i>	1,560	0	0	0
<i>Gf - IT</i>	1,408	2,100	0	0
<i>Gf - Parks Commissioning</i>	12,073	6,108	0	0
<i>Gf - Culture and Heritage</i>	421	222	0	0
<i>Gf - Enforcement</i>	418	1,836	0	0
<i>Gf - My Place</i>	4,898	8,727	0	0
<i>Gf - Public Realm</i>	1,373	71	0	0
<i>Gf - Education, Youth &amp; Child</i>	9,697	18,179	0	0
<i>Transformation</i>	2,354	0	0	0
<b>Total GF Capital Expenditure</b>	<b>44,596</b>	<b>43,909</b>	<b>0</b>	<b>0</b>
<b>IAS*</b>				
<i>IAS Residential</i>	267,086	317,451	206,102	151,592
<i>IAS Commercial</i>	51,749	504	0	0
<b>Total IAS</b>	<b>318,835</b>	<b>317,955</b>	<b>206,102</b>	<b>151,592</b>

<b>HRA</b>				
<i>HRA Stock Investment</i>	17,691	20,000	20,000	20,000
<i>HRA Estate Renewal</i>	3,500	6,747	0	0
<i>HRA New Build Schemes</i>	1,611	434	0	0
<b>HRA Total</b>	<b>22,802</b>	<b>27,181</b>	<b>20,000</b>	<b>20,000</b>
<b>Financed by:</b>				
<i>HRA/MRR</i>	-22,802	-27,181	-20,000	-20,000
<i>CIL/S106</i>	-1,460	-726	0	0
<i>Revenue</i>	-550	-1,544	0	0
<i>Capital Receipts (Transformation)</i>	-2,354	0	0	0
<i>Self-Financing (excluding IAS)</i>	-1,501	-2,110	0	0
<i>Other Grant</i>	-46,157	-24,263	0	0
<i>IAS Grants (RtB, GLA) and sales</i>	-82,569	-79,128	-43,455	-45,143
<b>Total Financing</b>	<b>-157,394</b>	<b>-134,951</b>	<b>-63,455</b>	<b>-65,143</b>
<b>Financed by Borrowing</b>	<b>228,839</b>	<b>254,093</b>	<b>162,647</b>	<b>106,449</b>
<i>PFI Additions &amp; Repayments</i>	78,991	-3,995	-4,294	-4,624
<b>Net financing need for the year</b>	<b>307,830</b>	<b>250,098</b>	<b>158,353</b>	<b>101,825</b>

- 12.3. The budgets include estimates of roll-forwards budgets from 2022-23 and are indicative. Capital Receipts include the sale of the Welbeck Wharf and the potential sale of Pondfield. If Welbeck Wharf completes then a report outlining how the capital receipt can be used will be provided to Members to agree. Additional capital receipts are not included here but will be used to reduce the Council's overall Capital Financing Requirement (CFR)
- 12.4. The MTFs includes provision of £450k to fund a corporate capital programme of £5m of new capital schemes (actual cost dependent on asset life and interest rate). This budget is split between interest and Minimum Revenue Provision
- 12.5. There was no bidding round for the 2022-23 capital budget for new capital schemes as internal funding available from non-ringfenced resources is already set aside for existing commitments. Non-ringfenced resources comprise prudential borrowing, capital receipts (excluding HRA right to buy receipts) and revenue contributions from either budgets or earmarked reserves. Given the current pressures on the General Fund revenue budget and the lack of previously accumulated General Fund capital receipts, the main resource available to meet future capital demands is prudential borrowing for 2023-24, limiting any new capital schemes which are not externally funded to £5m as set out in 11.7. The commitments can be summarised as follows:

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

12.6. As part of the 2023-24 budget report, there were two schemes which were put forward for approval as recurring amounts in the capital programme every year. These are:

- £1m for urgent maintenance and health and safety works
- £340k for ward budgets

12.7. There were also a number of capital bids approved as part of the 2022-23 and 2023-24 budget which included future year commitments against those schemes approved. Some schemes have had spend slip into subsequent years, as outlined below.

Project Code	Project Name	2022/23 Revised Budget	2022/23 Forecast	Forecast Slippage/ Acceleration	23/24 Budget
C02811	Ward Capital Budgets	666	127	539	879
C03065	Highways Investment Programme	3,016	3,117	- 102	3,718
C05018	Stock Condition Survey	1,596	560	1,036	2,036
C05038	82A And 82B Oval Road South	325	-	325	325
C05048	Procuring In Cab Tech	205	205	-	30
	<b>Total</b>	<b>5,808</b>	<b>4,010</b>	<b>1,798</b>	<b>6,988</b>

12.8. A review of the Councils MRP, Capital receipts, current schemes and reserves, as well as CIL and S106 is being carried out to try and free up additional funding to allow a capital bidding process for 2023-24

### 13. Flexible Use of Capital Receipts

13.1 Only two projects in 2022/23 meet the updated criteria for flexible use of capital receipts, these being the Adult Services Direct Payment Review and the Adult Services Financial Assessment Review. These projects are anticipated to cost £114,000 in 2022/23 and to generate savings of £125,000. The cost of these projects will be financed by capital receipts.

13.2 These projects are currently forecasted to conclude within 2022/23, with spending of £115k and £26k respectively. The Financial Assessment Officer has delivered on-going savings of £257k in prior years and between April and July 2022 we have generated a further £64k, this figure is set to increase when a reconciliation is complete. The Direct Payment Review has delivered £100k of ongoing income with invoices of £59k being chased for payment.

13.3 Although we will continue to assess whether any projects fall within the Transformation criteria there are currently no planned projects for beyond 2022/23.

### 14. Budget Consultation

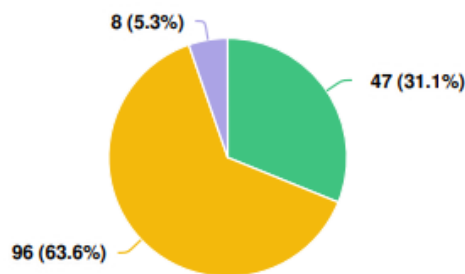
14.1 A report on the Budget strategy was presented to Cabinet in December 2022, updating the Committee on funding assumptions and other factors affecting the MTFS.

14.2 A consultation exercise on the budget with residents and businesses began in January 2023. The Council was interested to hear residents' views on the proposed

social care precept and their views on the type of services that will need to be delivered in the future.

- 14.3 As a result of the provisional local government finance settlement being published later than expected in December 2022, the consultation exercises started later than in previous years.
- 14.4 The exercise comprised a number of events as follows:
- An online budget consultation which ran throughout January  
The online survey was undertaken which had 154 responses.
  - Social media posts from 7 January to 31 January
  - Facebook Live Q&A, 26 January
  - Resident Budget consultation, Barking Learning Centre, 30 January
  - Resident Budget consultation, Dagenham Library, 31 January
  - Business Budget consultation, Barking Town Hall, 1 February
- 14.5 The Facebook Live Q&A session had 61 views with 29 comments, 63 likes and 10 shares. It is estimated that the reach of the session was 1,400 people (based on the average number of people watching the livestream).
- 14.6 The online budget consultation was completed by 154 residents and representatives of a business that pays business rates in the Borough. The online survey asked residents to rank options utilised by other Boroughs to reduce spending and balance the budget.
- 14.7 When asked for their views on raising council tax and the adult social care precept the results are shown below:

### **Support Raising the Council Tax by 2.99%**

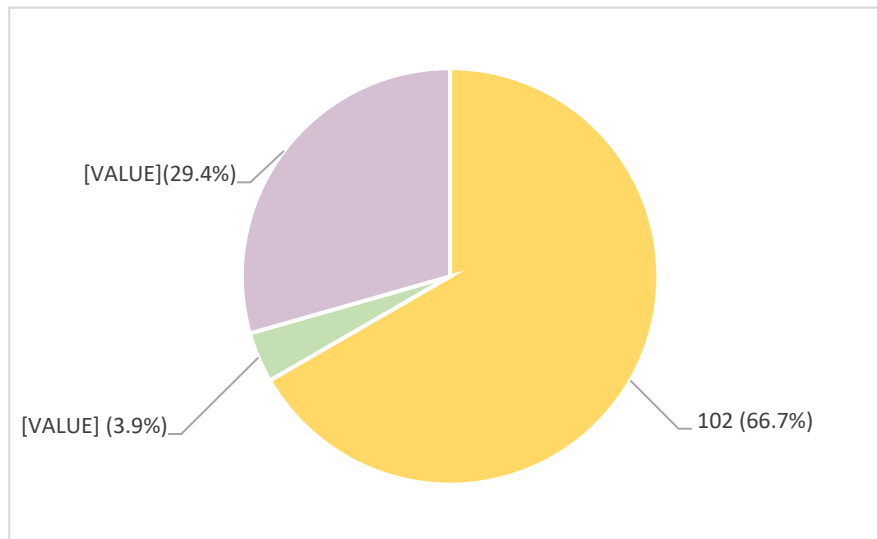


#### **Question options**

- I support increasing the council tax precept by 2.99% which would mean an increase of £55.03 per year for a typical band D property taking the total LBBB Council Tax to £1430.78.
- I do not support an increase. (This means we would have to find a further £2.9m of spending reductions to balance the budget)
- I don't know



## Support Raising the Adult Social Care Precept by 2.99%



### Question options

- I support the proposed 2% council tax increase for Adult Social Care which would mean an additional increase of £14.29 for a typical band D property.
- I do not support an increase. (This means the Council would lose an additional income of £760k from council tax to support the most vulnerable residents.)
- I don't know

14.8 The consultation provided a list of actions other Councils have considered to balance their budget. Respondents were asked to rank these options. A score of 1 represents a preferred option to save money and 10 represents areas that are less favoured to balance the budget. The ranked results are shown below:

Service Area	Rank
Reduce Museum Open Days	2.78
Fewer community events	3.33
Closure of public toilets	4.73
Dimmer Streetlighting	4.91
Reduced Park and Green spaces maintenance	5.58
Closure of libraries	5.77
Reduced transport services	5.97
Increased Parking charges	6.08
Reduced street cleansing	7.16
Fortnightly bin collections	7.28

## 15. Statutory Report of the Chief Financial (S151) Officer

- 15.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of financial reserves. The Act also requires the Authority to which the report is made to have regard to the report when making decisions about the budget.
- 15.2. In this context, the reference to the Chief Finance Officer is defined in Section 151 of the Local Government Act 1972. This statutory role is fulfilled in this authority by the Strategic Director, Finance & Investment.
- 15.3. In summary, the Chief Finance Officer considers the budget proposals to establish a net budget requirement of £203.568m and council tax requirement of £77.780m for 2023-24 as set out in this report as robust. The level of reserves is sufficient to mitigate known risks during the forthcoming financial year taking account of the Council's financial management framework. However, the financial outlook over the medium term remains challenging with increasing cost pressures and uncertainty due to the ongoing impact of heightened inflation and further delays to planned changes to the national local government funding framework, now expected from 2025-26. The council will be required to remain proactive in delivering sustainable council transformation to ensure a balanced budget position can be maintained for 2023-24 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 by Strategic Directors and action plans are in place for their delivery.
  - Appropriate actions are being taken to identify and collect outstanding debts owed to the council, including historic debts.
  - Contingency budgets are held centrally to mitigate unforeseen cost

pressures in the event they arise during the course of the year. This could be used to meet unexpected increases in demand led services or potential continued impact following the COVID-19 pandemic, the Exit from the EU and continued inflationary pressure.

- Employee budgets are based on the appropriate scale point although the cost of annual pay rises is expected to be absorbed within service budgets and the corporate provision as set out in the report.
- 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 2023-24:

- 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 2023-24.
- The Cabinet's proposals do not breach the "excessiveness" principle for 2023-24, where local referendum is required. The threshold for 2023-24 for general council tax if it rises by 3% or more, alongside a 2% social care precept.
- Appropriate assessment has been made of the council tax and business rate base 2023-24 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 2023-24 and 2024-25 the minimum level of General Reserves is recommended at £12.0m. The current level of the General Fund balance is £17.0m.

15.8. We carry reserves which are ringfenced for specific purposes these were £31.4m at 1 April 2022. These are forecast to be £32.5m by 31 March 2023. These reserves are not available for general use, either as a result of legislation, funding agreement or contractual arrangements.

15.9. We carry non-ringfenced specific reserves. These are reserves that the Council has chosen to set aside for specific purposes but for which there is no legal barrier to use. However, using these reserves outside of their intended use would require a change of policy and impact on the Council meeting its strategic objectives. The

total of these is expected to be £67.3m at 31 March 2023 but there are plans for their use beyond this date.

- 15.10. The Budget Support Reserve, intended to provide short term support and pump prime efficiencies, stood at £22.8m at 31 March 2022. This reserve balance is forecast to be £9.2m by 31 March 2023 which is just sufficient to fund the reserves requirement in 2023-24. The underlying 2023-24 budget does not place undue reliance on reserves as general budget support provided that agreed savings are delivered and future savings are identified to meet the savings gap identified in the MTFS.
- 15.11. The Council continues to face financial challenges over the medium term. The delivery of a balanced budget for 2023-24 is reliant on delivering new savings of £5.687m in addition to those outstanding from previous years. Further savings will need to be identified in 2024-25, 2025-26 and 2026-27. There is significant uncertainty in relation to local government funding beyond 2023-24 and the potential impact of changes to New Homes Bonus, the Business Rates Retention Scheme and the Review of Relative Needs (Fair Funding). The Council continues to maintain its focus on delivering transformation at pace and thereby securing financial sustainability.

## **16. Financial Implications**

Implications completed by: Philip Gregory, Strategic Director, Finance & Investment

- 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, Principal Standards & Governance Lawyer

- 17.1. As set out in the main body of the report, local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This is set by sound public accounting practice guidance. As part of this requirement a forward-thinking medium-term budget strategy is key to ensuring stability. This includes taking account of future income, liabilities, risks, investments, contingencies, statutory compliances, contractual obligations and of course securing best value for money.
- 17.2. The Local Government Act 2003 Section 25 sets a specific duty on an Authority's Chief Financial Officer (Finance Director) to make a report to the authority for it to take into account when it is considering its budget and funding for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget and the Authority must have regard to the report in making its decisions. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty'.

- 17.3. The proposals are founded on the information known at the time however circumstances can change such as we have seen in the current financial year (2022-23) with the potential of a new high transmissible subvariant viral strain of coronavirus (Kraken) and the War between the Russian Federation and Ukraine which has a significant impact on both incomes and additional costs. Budgetary tools such the MTFs are living documents which must adjust according to the situation the authority encounters and further anticipates. As a consequence, there is an ongoing need to prepare for contingencies including maintaining sound risk management and level of reserves which enables the authority to be prepared to deal with risks, contingencies and its future strategic vision.
- 17.4. By law a local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is may be subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of any agreed savings options. Relevant legal considerations are identified below.
- 17.5. Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with unions and staff. In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant 'protected characteristic'. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information. In addition to that, Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.
- 17.6. If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
  - any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
  - any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
  - the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;

- to any responses from stakeholders to consultation undertaken.

## **18. Corporate Policy and Equality Impact**

- 18.1. The Equality Act 2010 requires a public authority, in the exercise of its functions, to have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant protected characteristic. As well as complying with legislation, assessing the equality implications can help to design services that are customer focussed, in turn leading to improved service delivery and customer satisfaction.
- 18.2. The Council's Equality and Diversity strategy commits the Council to ensuring fair and open service delivery, making best use of data and insight and reflecting the needs of the service users. Equality Impact Assessments allow for a structured, evidence based and consistent approach to considering the equality implications of proposals and should be considered at the early stages of planning.
- 18.3. Where new savings proposals are put forward that require EIAs these will be carried out in detail to ensure the Council properly considers any impact of the proposal. The Council's work 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-2023-to-2024>
- Calculation and Setting of Council Tax Base 2023-24  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=90137>
- Council Tax Support Scheme 2023-24  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=93310>
- Fees and Charges 2023  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=90124>
- Housing Revenue Account: Review of Rents and Other Charges 2023-24  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=90138>
- Dedicated Schools Budget and School Funding Formula 2023-24  
<https://modgov.lbbd.gov.uk/internet/ieDecisionDetails.aspx?AllId=90132>

### **List of appendices:**

- Appendix A – Revenue Budget
- Appendix B – MTFS
- Appendix C – Savings and Growth Proposals
- Appendix D – The Statutory Budget Determination
- Appendix E – Calculation of the Council Tax Requirement
- Appendix F – Draft Capital Programme
- Appendix G – Forecast General Fund and Usable Reserves