

Cabinet 8th January 2020	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director of Resources	Classification: Unrestricted
The Council's 2020-21 Budget Report and Medium Term Financial Strategy 2020-23	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Kevin Bartle, Interim Divisional Director Finance, Procurement & Audit
Wards affected	All wards
Key Decision?	Yes
Forward Plan Notice Published	6 th December 2019
Reason for Key Decision	To set the Council's Budget for 2020-21 and MTFS 2020-23
Strategic Plan Priority / Outcome	<ol style="list-style-type: none"> 1. People are aspirational, independent and have equal access to opportunities; 2. A borough that our residents are proud of and love to live in; 3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.

Executive Summary

In February 2019 the Council agreed a 3 year budget and Medium Term Financial Strategy (MTFS) for the period 2019-22, including new savings of £15.390m that would need to be delivered to achieve a balanced budget over that period.

As part of the Council's annual budget cycle, this report reviews and updates the assumptions made in that report for the years 2020-22 and incorporates a new financial year, 2022-23, to maintain the Council's three year MTFS.

The assumptions set out in last year's MTFS for 2020-21 have been reviewed and updated to allow Members to agree a balanced budget and Council Tax requirement for that year.

2019-20 was the final year of the government's 'guaranteed' funding settlement and in the light of the continued uncertainty surrounding Brexit the government published on 4 September 2019 a Spending Round (SR2019) for one year only.

A technical consultation covering issues for 2020-21 to inform a provisional Local Government settlement, in accordance with the recommendations of the recent Hudson review, commenced in October 2019. A provisional Local Government Finance Settlement (LGFS) has been recently published on 20th December 2019; however the final complete settlement is expected in the new year.

As a consequence, this budget report includes a number of areas where planning assumptions have needed to be made in advance of the final settlement and it is important to recognise that this creates some uncertainty over the final shape of the Council's proposed budget until the final details are available.

Following receipt of the final settlement, the Chief Finance Officer (CFO) will need to be assured of the robustness of estimates and adequacy of reserves and this will be covered in the report to Cabinet on 29 January 2020.

As in previous years officers have evaluated the financial impact of new demographic and inflationary budget pressures in comparison to estimated impacts included for the years 2020-21 and 2021-22 in previous years' MTFS together with an evaluation of those pressures arising in the newly incorporated year 2022-23; the action that is needed to meet these additional commitments over the existing MTFS assumptions is now built into the budget proposals.

A summary of the projected General Fund draft budget for each of the three years 2020-23 is shown in Appendix 1 with a more detailed service analysis in Appendix 2.

The report also includes revised assessments of the Dedicated Schools Grant (DSG). The Housing Revenue Account (HRA) and the three year Capital Programme 2020-23, and its funding, are being reviewed and will be included in the Cabinet report scheduled for 29 January 2020.

The report also includes the outcome of the Council's 2020-21 budget consultation that ended on the 5th December 2019.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Propose a draft General Fund Revenue Funding Requirement of £352.846m subject to any changes arising from the technical consultation and the final Local Government Finance Settlement.
2. Propose a Band D Council Tax of £1,060.35 for 2020-21 to be referred to Full Council for consideration.
3. Agree the proposal of an average housing rent increase of 2.7% based on the September 2019 Consumer Price Index plus 1% to take effect from the first rent week of April 2020. This equates to an average rent increase of £2.94 per week for 2020-21.
4. Agree the proposal that the average weekly housing tenanted service charge will increase by 2.7% from the first rent week in April 2020. This is consistent with the new Social Housing rent standard rent policy and will lead to an average weekly increase in tenanted service charges of approximately £0.23.
5. Agree the proposal that the Local Council Tax Reduction Scheme be recommended to Council for consideration, recommending that Council agrees no changes to the current Local Council Tax Reduction Scheme for 2020-21.
6. Consider and comment on the following matters:

The General Fund revenue budget for 2020-21 and Medium Term Financial Strategy 2020-21 to 2022-23

The initial budget proposals and Council Tax for 2020-21 together with the Medium Term Financial Strategy set out in Appendix 1

Budget Consultation

The outcome of consultation with business ratepayers, residents and other stakeholders as set out in Section 3.13 and Appendix 6

Funding

The funding available for 2020-21 and the indications and forecasts for future years as set out in Section 3.4.

Growth and Inflation

The risks identified from the potential growth and inflation commitments arising in 2020-21 and future years as set out in Section 3.5 & Appendix 3.

Savings

New proposed saving items to be delivered in 2020-23 as set out in Section 3.6 and Appendix 4 of the report.

Financial Risks: Reserves and Contingencies

The strategic budget risks and opportunities as set out in Section 3.7.

Reserves

The reserves policy and proposed approach to the strategic use of reserves as set out in Section 3.8.

Schools Funding

The position for schools' funding including the Dedicated Schools Budget as set out in Section 3.9.

Housing Revenue Account

The proposals for Housing Rent and Tenanted Service Charge Setting 2020-21 are set out in Section 3.10.

7. To note the Equalities Impact Assessment and specific equalities considerations as set out in Section 4.

1. REASONS FOR THE DECISIONS

- 1.1 The Council is under an obligation to set a balanced and sustainable budget and to set the Council Tax Levels for the financial year 2020-21 by 9th March 2020 at the latest. The Council's Chief Financial (S151) Officer must confirm the robustness of the estimates applied and the adequacy of the Council's reserves as part of the budget setting report to the Council.
- 1.2 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Overview & Scrutiny Committee to allow for their comments to be considered before the final budget proposals are made to Full Council.
- 1.3 The announcements and consultations made about Government funding for the Council in the Chancellor's Spending Round and the technical consultation on the 2020-21 Local Government Finance Settlement require a robust and timely response to enable a balanced budget to be set.
- 1.4 A Medium Term Financial Strategy (MTFS) covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.
- 1.5 As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFS; in particular as the Council becomes ever more dependent on locally raised sources of income through the Council Tax and retained business rates these elements become fundamental elements of its approach and strategies.
- 1.6 The Mayor is required by the Local Government and Housing Act 1989 to determine a balanced Housing Revenue Account (HRA) budget prior to the start of the new financial year. The Council must also approve the Management Fee payable to Tower Hamlets Homes (THH) so that it can fulfil its obligations under the Management Agreement to manage the housing stock on behalf of the Council.
- 1.7 In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. The three year Capital Programme 2020-23 will be included in the Cabinet report on 29 January 2020.

2. ALTERNATIVE OPTIONS

- 2.1 The Council is required to set an affordable Council Tax and a balanced budget, while meeting its duties to provide local services. This limits the options available to Members. Nevertheless, the Council can determine its priorities in terms of the services it seeks to preserve and protect where

possible, and to the extent permitted by its resources, those services it wishes to prioritise through investment.

- 2.2 The Council has a statutory duty to set a balanced HRA and provide THH with the resources to fulfil its obligations under the Management Agreement. Whilst there may be other ways of delivering a balanced HRA, the proposals contained in this report are considered the most effective, in realising all the Council's statutory duties having regard to the matters set out in the report.

3. DETAILS OF THE REPORT

3.1 BACKGROUND

- 3.1.1 In February 2019 the Council agreed a balanced budget for 2019-20 and a Medium Term Financial Plan (MTFP) to 2021-22 identifying additional savings of £15.390m to be delivered over the medium term period. This was done in the context of certainty over government grant funding levels only to the end of March 2020 which is when the government's four year guaranteed funding settlement expires. The estimates for 2020-21 and later years were therefore speculative and reflected a number of significant unknown elements such as any changes arising from a new Spending Review period and a stated intention to implement a 'Fair Funding' review of Local Government finances including the expected introduction of changes to the business rate retention scheme.
- 3.1.2 In the event, the next multi-year Spending Review has been delayed by other Government business and instead the Chancellor of the Exchequer announced a one year Spending Round (in September 2019). This included headline information on the funding levels for Local Government including clarification in respect of a number of separate grant funding streams outside of Revenue Support Grant (RSG) and retained business rates.
- 3.1.3 This report updates Members on the impact of all of these changes, and identifies the additional growth and savings proposals that will inform consideration of the budget package by the Overview and Scrutiny Committee.
- 3.1.4 The main body of the report has the following sections:
- Strategic Approach (Section 3.2)
 - Medium Term Financial Strategy & Proposed Budget (Section 3.3)
 - Financial Resources (Section 3.4)
 - Budget Pressures and Growth Allocations (Section 3.5)
 - Savings Proposals (Section 3.6)
 - Risks and Opportunities (Section 3.7)
 - Reserves (Section 3.8)
 - Schools' Funding (Section 3.9)
 - Housing Revenue Account (Section 3.10)
 - Treasury Management Strategy (Section 3.11)
 - Budget Consultation (Section 3.12)

- 3.1.5 The key planning assumptions that support the draft budget proposals are set out in the body of the report and in the attached appendices.
- 3.1.6 In developing these proposals the Council has taken account of the government's previous approaches to measuring the total resources that it believes are available to each Council. This is known as Core Spending Power (CSP) and reflects the government's assumptions for a number of key grants, retained business rates and Council Tax.

3.2 STRATEGIC APPROACH

Strategic Plan 2019-22

- 3.2.1 In April 2019 Cabinet agreed a three year Strategic Plan focusing on improving outcomes for local people and delivering sustainable improvements in the way the Council operates. The Strategic Plan is designed to reflect and deliver the Mayor's manifesto. The Plan is refreshed annually to ensure it is aligned with emerging priorities for the organisation and borough. The council's vision is to become a dynamic outcomes-based organisation using digital innovation and partnership working to respond to the changing needs of our borough. This renewed focus on outcomes requires us to think differently. Working together across traditional organisational boundaries, we need a relentless focus on what has the biggest impact on outcomes. This needs us to question not only how our services are performing, but also whether we are doing the right things to deliver the impact needed. The Strategic Plan embeds Outcomes Based Accountability and Budgeting (OBA/OBB) in our planning and performance approach for 2020-21.
- 3.2.2 In line with this approach the revised priorities and outcomes are set out in the table below:

Table 1 – Strategic Priority Outcomes

Priority 1: People are aspirational, independent and have equal access to opportunities	
Outcomes we want to achieve	People access a range of education, training, and employment opportunities.
	Children and young people are protected so they get the best start in life and can realise their potential.
	People access joined-up services when they need them and feel healthier and more independent.
	Inequality is reduced and people feel that they fairly share the benefits from growth.

Priority 2: A borough that our residents are proud of and love to live in	
Outcomes we want to achieve	People live in a borough that is clean and green.
	People live in good quality affordable homes and well-designed neighbourhoods.
	People feel safer in their neighbourhoods and anti-social behaviour is tackled.
	People feel they are part of a cohesive and vibrant community.

Priority 3: A dynamic, outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough	
Outcomes we want to achieve	People say we are open and transparent putting residents at the heart of everything we do.
	People say we work together across boundaries in a strong and effective partnership to achieve the best outcomes for our residents.
	People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.

3.2.3 The Council's approach to delivering services going forward are underpinned by the following transformation principles;

- Achieve the best outcomes for our residents by integrating services across the council and partners to make the most of the money we have.
- Become a modern council with new ways of working and an agile workforce that is supported by the necessary infrastructure now and at our new home in Whitechapel.
- Use technology and information to provide better services and empower our citizens so they take a more active role in their area and co-design services.
- Reduce future demand on the council through measures including better forecasting of need, supporting independent living and providing early intervention to prevent problems escalating in later life.
- Harness economic growth that benefits our residents by making it simple for businesses to set up and invest in our borough.

3.2.4 The Council's approach to strategic and financial planning has been informed by an understanding of the opportunities and potential in the borough. This includes:

- Ongoing economic growth and a rising employment rate;
- A vibrant population with a high proportion of young people;
- An active voluntary and community sector; and
- A partnership committed to collaborative working around priority outcomes.

- 3.2.5 It also recognises that there are longer term challenges which need to be addressed by working with the community to create a fairer, cleaner and safer borough. These challenges include:
- Growth and development impacting on local infrastructure and services;
 - Lower employment levels, particularly for women and some ethnic minorities;
 - Significant child poverty and the impact of welfare benefit reductions;
 - Local people priced out by spiralling housing prices, and the danger of a polarised community;
 - Climate change and air quality affecting the way residents live their lives now and in the future;
 - Low levels of health and life expectancy; and
 - The need to be vigilant and tackle the potential for radicalisation and extremism.

3.3 MEDIUM TERM FINANCIAL STRATEGY & PROPOSED BUDGET

3.3.1 The revised Medium Term Financial Strategy is set out in Appendix 1, and the detail by service area in Appendix 2. The detailed figures and assumptions incorporated in these tables are explained more fully in this report. The figures assume a Council budget requirement of £352.846m for 2020-21; a Council Tax at Band D of £1,060.35 and a net transfer from reserves of £4.066m in 2020-21.

Spending Round 2019

3.3.2 The 4-year funding settlement agreed with the Government expires at the end of the current financial year. The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020-21 to 2023-24. However, due to the government's focus on other legislative agendas, it was announced on 4th September 2019 that a one-year Spending Round would be provided, covering the financial year 2020-21 only; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and again setting multi-year budgets.

3.3.3 The government has indicated that it projects that Core Spending Power (CSP) will increase by £2.9bn in 2020-21, a real terms increase of 4.3% (i.e. a cash increase of 6.2%). This compares to a cash increase in CSP of £1.7bn between 2015-16 to 2019-20.

3.3.4 Within this, the government has indicated that there will be £1bn for Social Care, which will be in addition to grants of £2.5bn already being paid, which might be taken to include the current Improved Better Care Fund (IBCF), Winter Pressures Grant and Social Care Support grant. In addition, the government has consulted on a further 2% Adult Social Care Precept for 2020-21 and the provisional LGFS indicates this level of precept will be agreed.

Local Government Finance Settlement (LGFS) 2020-21

3.3.5 When we launched the MTFS process, we understood that the Ministry for Housing, Communities and Local Government's (MHCLG) intention was to

announce the provisional LGFS as early as November 2019. A Technical Consultation on the LGFS was issued in October 2019, with the aim of allowing the provisional settlement in early December. However, with the announcement of a General Election on 12 December, this position fundamentally changed, with a significant impact on the information available to support the Council's financial planning.

- 3.3.6 Following the General Election, there remains a legal obligation to provide the sector with a settlement to prepare a budget for next year and our planning assumptions are currently based on the Spending Round announcement and other key announcements or consultations. A provisional LGFS was published on 20th December 2019; however the final settlement is expected in the new year. Our assumptions will be revised as soon as we receive the final settlement information.

Fair Funding Review and Business Rates Reset

- 3.3.7 The Fair Funding Review and Business Rates Reset will be deferred until 2021-22 however, the government has announced that the London 75% Business Rate pilot will come to an end in March 2020.
- 3.3.8 Notwithstanding this, the Leaders of all London Councils together with the Greater London Authority (GLA) intend to continue with the London wide pooling arrangement for 2020-21, permissible under the original business rate retention scheme. This allows for the offset of the top-up and tariff position of each authority in the pool.

3.4 FINANCIAL RESOURCES

Council Tax

- 3.4.1 Council Tax income is a key source of funding for Council Services. The amount generated through Council Tax is principally determined by the Council Tax Base (the number of properties adjusted for exemptions and discounts) the rate of charge per property and the collection rate.
- 3.4.2 The borough has seen a year-on-year increase in the number of new homes over the last few years and this continues to be a key priority area for growth for both central government and the Council.
- 3.4.3 The Council can, subject to legislative constraints, increase its Council tax rate through two mechanisms; the Adult Social Care precept and general inflationary increases. Each 1% increase in the Council Tax rate generates around £1m per annum, which equates to approximately 20 pence per week for the average Band D property. In the Spending Round the Chancellor announced that the referendum level (which excludes amounts attributable to the Adult Social Care precept) will be set at a level of up to 2% - a fall from previous levels and reflecting the government's broad view of inflation and an assumed rise of 1.99% which is now expected to be reflected in their calculation of Core Spending Power (CSP).

- 3.4.4 For the Adult Social Care (ASC) precept, the government consulted on a maximum increase of 2% and have indicated in the provisional LGFS that this level will be agreed for 2020-21. The increase in Council Tax attributable to the ASC must be directed towards Adult Social Care pressures.
- 3.4.5 Currently Tower Hamlets has one of the lowest Council Tax rates across the 33 London Boroughs. It is likely that even after implementing the proposed increase for the ASC precept this year, the Council will continue to have one of the lowest Council Tax rates in London.
- 3.4.6 A general inflationary increase of 1.99% is proposed over all years of the MTFS. This equates to 40 pence per week for the average Band D property. A 2% increase in the ASC precept is also proposed and included in all years of the MTFS. Taking all of these factors into account it is proposed to increase the Council Tax by 3.99% in 2020-21. This equates to an increase of 80 pence per week (2% ASC and 1.99% Inflation).
- 3.4.7 Taking into account the forecast growth in tax base and decisions around rate increases referred to above, the Council's share of Council Tax income in 2020-21 is estimated to be £108.438m and this has been built into the proposed Budget for 2020-21.

Local Council Tax Reduction Scheme (LCTRS) 2020-21

- 3.4.8 Following a full public consultation, the council introduced changes to its Local Council Tax Reduction Scheme last year, effective from April 2019.
- 3.4.9 Each year, the council is required to consider whether it wishes to change its Local Council Tax Reduction Scheme. Any changes to the scheme would require a full public consultation and impact analysis.
- 3.4.10 In July 2019, as part of the Medium Term Financial Strategy refresh and budget planning for 2020-21, Cabinet decided to maintain the existing 100% Local Council Tax Reduction Scheme for 2020-21 protecting our residents on low incomes.
- 3.4.11 It is, therefore, recommended that the current Local Council Tax Reduction Scheme should remain unchanged for 2020-21.
- 3.4.12 The reasons for this are:
- The current scheme was adopted after full public consultation
 - The current scheme is a 100% scheme and remains amongst the most generous in the UK protecting Tower Hamlets residents on low incomes

Settlement Funding Assessment and Revenue Support Grant

3.4.13 Settlement Funding Assessment (SFA) reflects the government's current approach to funding most local authorities through Revenue Support Grant (RSG) and retained business rates.

3.4.14 Each authority's SFA is based on a needs assessment established at the beginning of the funding arrangements and thereafter reflecting the impact primarily of government funding reductions. The Baseline Funding Level represents the amount of retained business rates that the government expects each local authority to generate assuming no increase in the tax base since the scheme inception (i.e. it continues to increase only in line with the increase in the relevant business rate multiplier).

3.4.15 The difference between SFA and the Baseline Funding Level is the amount of RSG an authority receives. For Tower Hamlets this calculation is shown below.

Table 2 – Provisional Settlement Funding Assessment 2020-21

	£m
Settlement Funding Assessment (SFA)	145.3
Baseline Funding Level (BFL)	111.5
Revenue Support Grant (RSG)	33.8

Business Rates Retention Scheme

3.4.16 In 2018-19 and 2019-20, the Council participated in a London-wide Business Rates Retention Pilot scheme. In the 2019 Spending Round it was announced that the London pilot scheme would not exist in 2020-21.

3.4.17 However, on the 8th October 2019 the Leader's Committee at London Councils agreed to pool business rates in 2020-21 under the original business rates pool provisions. This allows for the offsetting of individual authorities top-up and tariff payments. The estimated net benefit to the Council from this arrangement is £1.4m.

Core Grants

3.4.18 In addition to Revenue Support Grant (RSG), the Council receives a number of other grants to support specific service priorities. The estimated value of these grants are summarised in the table below and further details on how they have been treated in the MTFs are provided in the sections that follow:

Table 3 – Summary Core Grants 2020-23

Core Grants	2020-21 £m	2021-22 £m	2022-23 £m
New Homes Bonus	19.202	19.202	19.202
Improved Better Care Fund	15.235	15.235	15.235
Public Health Grant	34.806	34.806	34.806
School Improvement Monitoring and Brokering Grant	0.350	0.350	0.350
Local Lead Flood Grant	0.036	0.036	0.036
Winter Pressures Grant	1.500	1.500	1.500
Social Care Support Grant	7.500	2.500	2.500
Total Core Grants	78.629	73.629	73.629
NHB allocated for Capital Investment	(16.020)	(16.020)	(16.020)
Total Core Grants (Revenue)	62.609	57.609	57.609

New Homes Bonus

3.4.19 The New Homes Bonus (NHB) scheme was introduced in 2011-12 as a means to help tackle the national housing shortage. The scheme was designed to reward those authorities who increased their housing stock either through new build or by bringing empty properties back into use.

3.4.20 The Council has reduced its reliance on NHB as a funding source in support of its revenue budget since 2016-17. Of the £19.2m NHB the Council expects to receive in 2020-21, only £3.2m will be used to support the revenue budget.

Improved Better Care Fund

3.4.21 The Better Care Fund (BCF) was introduced in the 2013-14 spending review. The Fund is a pooled budget, bringing together local authority and NHS funding to create a national pot designed to integrate care and health services.

3.4.22 In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities deal with the growing health and social care pressures during the period 2017-20. The Spending Round 2019 confirmed the continuation of this grant for a further year in 2020-21. This funding takes into account local authorities' ability to raise resources locally through the Adult Social Care precept.

Public Health Grant

3.4.23 The Public Health Grant allocation for 2020-21 has not been confirmed. The government has, however, announced its intention to increase the overall level of the national grant by the level of the GDP deflator (1.84%).

School Improvement Monitoring and Brokering Grant

3.4.24 In November 2016, the government announced a £50m fund for local authorities to “continue to monitor and commission school improvement for low-performing maintained schools”. This is allocated to local authorities on the basis of the number of maintained schools, an area cost adjustment and top-up to ensure each local authority receives a minimum. The Council has been allocated £0.35m for 2019-20 and assumes this will continue for 2020-21 onwards.

Winter Pressures Grant

3.4.25 In the Chancellor’s 2019-20 Budget, £240m of additional funding was announced for Councils to spend on adult social care services to alleviate winter pressures on the NHS. This Winter Pressures Grant funding is allocated using the existing Adult Social Care Relative Needs Formula. In the 2020-21 technical consultation the government set out its intention to include winter pressures funding within the pooled allocation for the Improved Better Care Fund. As in the previous year the Corporate Director for Health, Adults and Communities will identify appropriate interventions in consultation with the Clinical Commissioning Group (CCG) and other relevant partners.

Social Care Support Grant

3.4.26 In the Chancellor’s 2019-20 budget, £410m of additional funding was announced for use for adult and children’s social services. The Spending Round 2019 indicated that there will be additional Social Care funding of up to £1.5bn in total for 2020-21, partly delivered through grant (over and above funding currently received in 2019-20) and through an additional year of Adult Social Care Precept. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children’s social care, therefore the existing Adult Social Care Relative Needs Formula will also be used to distribute this Social Care Support Grant funding. The allocations for 2020-23 have not been confirmed.

3.5 BUDGET PRESSURES, GROWTH AND INFLATION

Budget pressures

3.5.1 A key part of the annual budget setting process is the review of growth pressures across the Medium Term Financial Strategy period arising from demographic changes, new requirements or responsibilities or inflationary pressures.

3.5.2 In previous budget setting rounds, the Council approved amounts for unavoidable growth over the period 2020-22. Following a review as part of updating the MTFS for the period 2020-23, some additional growth pressures arising from demographic changes, new requirements or responsibilities have been identified. These items are set out in Appendix 3 and have been built into the budget proposal presented in this report.

Inflation

3.5.3 In addition to the budget pressures identified above, a further financial risk facing the Council is the impact of inflation.

3.5.4 The Government's target projection for inflation which is reflected in the MTFS is 1.7% (CPI) throughout the MTFS period. Most of the Council's contracts for goods and services which span more than one year contain inflation clauses and although service directorates have been successful in negotiating annual increases which are below inflation this will be a difficult position to maintain.

3.5.5 The Council remains part of the National Joint Council for Local Government Services for negotiating pay award arrangements. The MTFS anticipates that staffing costs will increase by at least 2% in each year of the three year plan.

3.5.6 The estimated impact of inflation is also set out in Appendix 3.

3.6 SAVINGS PROPOSALS

3.6.1 In 2019-20 the Council approved savings covering the whole of the period of the MTFS which ensured that a balanced budget for 2020-21 and 2021-22 was already in place. Detailed consultation and impact assessments will continue to be undertaken as the proposals agreed previously are taken through to implementation.

3.6.2 However, there have been a number of changes made to the 2020-22 budget assumptions, largely to take account of the revised analysis of demographic growth requirements and, after a re-assessment, the expected deliverability and timescales of savings. This has resulted in the need to reprofile £5.4m of 2020-21 savings to later financial years, mainly to allow for the planned contractual efficiencies to be delivered in line with procurement timescales, greater commercialisation opportunities to be developed and information technology improvements to become embedded.

Prior year savings written off - £3.8m

3.6.3 The following previously agreed savings are no longer deliverable and it is proposed in this budget that these are now written off;

- Better targeting of services for children with special educational need and disabilities (SEND) ref: CHI005/17-18 (£0.940m) – Savings made in

this area will be attributable to the Dedicated Schools Budget, instead of the General Fund.

- Increasing the involvement of partners in Early Years services ref: CHI003/17-18 (£2.408m) - Savings made in this area will be attributable to the Dedicated Schools Budget, instead of the General Fund.
- Pan-London Homelessness Prevention Procurement Hub (“Capital Letters”) ref: SAV/PLA003/19-20 (£0.200m) – Savings made in this area will be attributable to the Housing Revenue Account (HRA), instead of the General Fund.
- Income Through Wi-Fi Concession Contract ref: SAV/RES07/18-19 (£0.300m) - This saving related to revenues generated from the rental of street furniture that was anticipated from the exclusive concession award for Wi-Fi. This approach has now been abandoned based on independent legal advice received. Despite this, the Council has made significant progress in delivering publicly accessible Wi-Fi at Council office buildings, Idea Stores, libraries and youth centres.

3.6.4 New savings have been identified for 2020-21 as well as future years. The high level summary of the proposed saving areas are detailed in Appendix 4. The 2020-21 budget position is balanced, albeit with the planned use of reserves to fund short-term priority investments agreed in earlier budget rounds.

3.6.5 The business rates income for Tower Hamlets since 2013-14 has included an extra amount of income to reward the level of local growth that has occurred since 2013-14 (the incentivising of growth by government by allowing local councils to retain a share of the growth). A proposed business rates reset by the Ministry of Housing, Communities and Local Government means that the baseline level will be raised in 2021-22 to the current level of business rates, and, therefore, Tower Hamlets will only retain extra income for growth that occurs above the new baseline expected level.

3.6.6 The effect of the business rate baseline reset is not confirmed, however the current estimate for Tower Hamlets is that business rates income could reduce by circa **£16m** in 2021-22 and we have, therefore, planned on that basis. New savings identified across 2021-23 reduce the MTFS impact of this estimated income reduction, however there remains a budget gap in both 2021-22 and 2022-23. Work is already underway to develop transformational Council-wide savings to eliminate this medium term budget gap.

Income generation through fees and charges

3.6.7 The current MTFS assumes that an additional £0.570m of general fund income will be generated through the Fees and Charges changes proposed for 2020-21. This contributes £0.125m estimated extra income to the 2020-21 MTFS position above the £0.445m allocated to the existing Debt Management & Income Optimisation savings target. The MTFS assumes further increases in fees & charges income for 2021-22 (£0.545m) and 2022-23 (£0.420m).

3.6.8 A separate report outlining the proposed changes to fees and charges for 2020-21 is provided elsewhere on the agenda.

3.7 RISKS AND OPPORTUNITIES

- 3.7.1 When setting the draft MTFs, Service Directors have provided their best estimate of their service costs and income based on the information currently available to them. However there will always be factors outside of the Council's direct control which have the potential to vary the key planning assumptions that underpin those estimates.
- 3.7.2 There are a number of significant risks that could affect either the level of service demand (and therefore service delivery costs) or its main sources of funding. In addition, there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services going forward. Pressures in service demand are demonstrated in the Council's projected overspend for 2019-20, especially for children's and adults social care and special educational needs transport. A recovery plan is in place with the aim to reduce spend where appropriate, with a view to eliminating or at least minimising the need for a drawdown of general fund reserves.
- 3.7.3 Similarly there are opportunities to either reduce costs or increase income which will not, as yet, be fully factored into the planning assumptions. The main risks and opportunities are summarised below.

Risks

Regulatory Risk

- **Business Rate Reset** – A proposed business rates reset by the Ministry of Housing, Communities and Local Government (MHCLG) means that the baseline level will be raised in 2021-22 to the current level of business rates, and therefore Tower Hamlets will only retain extra income for growth that occurs above the new baseline expected level.
 - The target business rates amount since 2013-14 was set on cash amounts received in previous years. This created winners and losers depending on the timing of appeals. Tower Hamlets benefited from the methodology chosen, plus has benefitted from growth achieved locally since 2013-14.
 - It was always MHCLG's intention to update the target amounts. This was supposed to happen in 2019-20, so Tower Hamlets has gained by a further two years. Resets will occur periodically going forward also.
 - The growth is not lost to MHCLG, but will be redistributed based on need (within the funding formula) and Tower Hamlets will receive a share. Also Tower Hamlets should receive more resources going forward, if local growth continues.
 - The forecast reduction in business rates income for the Council in 2020-21 has been factored in to our planning.

General Economic Factors

- **Impact of decision to leave European Union (Brexit)** - London Boroughs are still determining the impact of leaving the EU under a range of scenarios. Some of the key points to consider whether financial provision may be required are:-
 - Potential workforce impact arising from direct or indirect employment of EU nationals.
 - Supply chains could be affected by any changes in procurement legislation, and there are potential cost implications associated with currency fluctuations that must be considered.
 - The implications for pension funds are mixed as global investment vehicles have already priced in much of the uncertainty, but valuations on balance sheets and the cost of borrowing may lead to greater vulnerability.
 - Commercial strategies may need to take into account the potential for any downturn in demand for properties in their investment portfolios which impact rental income and profitability.
- **Fair Funding Review** - The government has committed to reforming the way local authorities are funded. Its Fair Funding Review aims to introduce a new funding formula from April 2021.
- The government has said that the Fair Funding Review will:
 - set new baseline funding allocations for local authorities;
 - deliver an up-to-date assessment of the relative needs of local authorities;
 - examine the relative resources available to local authorities;
 - focus initially on the services currently funded through the local government finance settlement;
 - be developed through close collaboration with local government to seek views on the right approach.
- It is considered likely that London authorities will be adversely affected by the changes and it is therefore sensible to plan for a variation in funding levels even after allowing for transitional arrangements.

Other risks

- Economic growth slows down or disappears
- A general reduction in debt recovery levels
- Further reductions in Third Party Funding
- Further reductions in grant income
- Reductions in the level of income generated through fees and charges
- Increase in fraud

Increases in Service Demand

- Children's Social Care including an increase in the number of looked after children, unaccompanied asylum seekers or those with no recourse to public funds
- Housing (and homelessness in particular)
- General demographic trends (including impact of an ageing population)
- Impact of changes to Welfare Benefits

Efficiencies and Savings Programme

- Slippage in the expected delivery of the savings programme
- Non Delivery of Savings remains a key risk to the Council and will be monitored during the year

Opportunities

- Growth in local taxbase for both housing and businesses
- Service transformation and redesign including digital services
- Invest to save approach to reduce revenue costs
- Income generation opportunities including through a more commercial approach.

3.8 RESERVES

3.8.1 Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its financial standing and resilience.

3.8.2 The Council's key sources of funding face an uncertain future and the Council, therefore, holds earmarked reserves and a working balance in order to mitigate future financial risks.

3.8.3 There are two main types of reserves:

- Earmarked Reserves – which are held for identified purposes and are used to maintain a resource in order to provide for expenditure in a future year(s); and
- General Reserves – these are held for 'unforeseen' events

3.8.4 The Council maintains reserves both for its General Fund activities and in respect of its Housing Revenue Account (HRA). In addition it accounts for the reserves of schools.

3.8.5 The amount of reserves held is a matter of judgment which takes into account the reasons why reserves are maintained, and the Council's potential financial exposure to risks. A Reserves Policy is included in Appendix 5.

- 3.8.6 The Council holds reserves in order to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to resource policy developments and initiatives without a disruptive impact on Council Tax. Capital reserves play a similar role in funding the Council's capital investment strategy.
- 3.8.7 The Council also relies on interest earned through holding cash and bank balances to support its general spending plans.
- 3.8.8 Reserves are one-off money and, therefore, the Council generally aims to avoid using reserves to meet on-going financial commitments other than as part of a sustainable budget plan. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long term future planning.
- 3.8.9 Reserves are therefore held for the following purposes:
- Providing a working balance i.e. Housing Revenue Account and General Fund.
 - Smoothing the impact of uneven expenditure profiles between years e.g. local elections, structural building maintenance and carrying forward expenditure between years.
 - Holding funds for future spending plans e.g. Capital Expenditure plans, and for the renewal of operational assets e.g. Information Technology renewal.
 - Meeting future costs and liabilities where an accounting 'provision' cannot be justified.
 - Meeting future costs and liabilities so as to cushion the effect on services e.g. the Insurance Reserve for self-funded liabilities arising from insurance claims.
 - To provide resilience against future risks.
 - To create policy capacity in a context of forecast declining future external resources.
- 3.8.10 All earmarked reserves are held for a specific purpose. A summary of the movement on each reserve is published annually, to accompany the annual Statement of Accounts.
- 3.8.11 The use of some reserves is limited by regulation e.g. reserves established through the Housing Revenue Account can only be applied within that account and the Car Parking reserve can only be used to fund specific transport related expenditure. Schools reserves are also ring-fenced for their use.

3.9 **SCHOOLS' FUNDING**

- 3.9.1 The largest single grant received by the Council is the Dedicated Schools Grant (DSG), which is ring-fenced to fund school budgets and services that directly support the education of pupils. The Local Authority receives its DSG allocation gross (including allocations relating to academies and post 16 provision), and then the Education & Skills Funding Agency (ESFA) recoups the actual budget for these settings to pay them direct, leaving a net or LA allocation.

- 3.9.2 The methodology for allocating the DSG to local authorities changed significantly in 2018-19. The DSG is now allocated through four blocks: The Schools Block, Central School Services Block, High Needs Block and Early Years Block. A new national funding formula was introduced for the first three in 2018-19 with the early years block funded by a new national formula from 2017-18.
- 3.9.3 As in 2019-20 the Schools Block allocation will be calculated on the basis of the national school funding formula reforms but will be aggregated and allocated to each Local Authority for local decisions on distribution.
- 3.9.4 In October 2019 the ESFA published provisional allocations for 2020-21 for the Schools Block, Central Services Block and the High Needs Block. The allocations will be updated in mid-December 2019 when the October 2019 pupil data becomes available. The Early Years Block allocation will be based on January 2020 pupil numbers and has not yet been published.
- 3.9.5 Growth in the Schools Block for 2020-21 is not included in the provisional allocations and will be calculated using a methodology introduced in 2019-20. The technical basis is that the DfE will count growing pupil numbers in Middle Super Output Areas between October 2018 and October 2019 and it will ignore reductions. The allocation using this methodology in 2019-20 was £1.496m
- 3.9.6 Three of the four DSG blocks are expected to increase in 2020-21. The schools and early years blocks are expected to grow at the funding floor of 1.84% per pupil/child; this is equivalent to the GDP deflator and therefore only covers inflation. The provisional High Needs Block shows an increase of £7.3m (14.3%).
- 3.9.7 There are a number of continuing pressures, specifically in relation to the High Needs Block which is managed by the Council for those pupils with needs that cannot be fully met from mainstream schools' individual budgets. The Government has extended the scope of the High Needs funding to cover educational costs of children and young people up to the age of 25. This expansion of the age range, coupled by an increase in the number of children who are applying for Education, Health and Care plans places significant pressure on both the retained budget and schools' own budgets.
- 3.9.8 The High Needs Block overspent by £7m in 2018-19, offset by underspends in other blocks to give a net DSG overspend of £4.5m. Despite action to find savings the HNB overspend is projected to increase to £9.3m in 2019-20.
- 3.9.9 The increase in the provisional High Needs Block for 2020-21 will go some way to ease the pressure but is not in itself sufficient to remove it. Various savings in the block have been identified, including reductions in central services, the Council will also be consulting on reductions in special needs top-up funding.
- 3.9.10 Tower Hamlets' School Forum has agreed in principle to a transfer of the £1.1m headroom available in the 2020-21 Schools Block to the High Needs Block.

This will be reconsidered by Forum in January following consultation with all mainstream schools and the publication of the final Schools Block allocation in mid-December. Transfers can only be made on an annual basis.

3.9.11 The level of top-up in Tower Hamlets is high compared to similar local authorities. A limiting factor in reductions to top-up funding for special schools and alternative provision is the recently imposed change to the Minimum Funding Guarantee (MFG).

3.9.12 The Central Schools Services Block (CSSB) was introduced in 2018-19 to fund LAs for their statutory duties relating to maintained schools and academies. The CSSB brings together funding previously allocated through the retained duties element of the Education Services Grant; funding for ongoing central functions e.g. admissions; and funding for historic commitments e.g. items previously agreed locally such as combined budgets.

3.9.13 In addition to the Central Schools Services Block, maintained schools can also, through the Schools Forum, agree to de-delegate some of their Schools Block resources for certain specific services such as to fund release time for trade union duties and allow the Local Authority to fund them centrally on behalf of all schools, also contributions to support the Former Education Services Grant (ESG) General Duties which were removed by the government in 2017, the Council is obliged to carry out a number of statutory duties, for example in relation to financial regulation, asset management and the provision of information to government departments and agencies. Forum in December 2019 agreed to the de-delegation for former ESG services but deferred a decision on other de-delegation until the January meeting.

3.9.14 The table below sets out the provisional DSG allocation over the funding blocks for 2020-21. As the Early Years Block has not been announced the 2019-20 allocation has been increased by 1.84%.

Table 4 - Provisional Dedicated Schools Grant 2020-21 and DSG 2019-20

Block	2020-21	2019-2020	Change
	£m	£m	£m
Schools Block	263.680	259.150	4.530
CSSB	4.204	4.811	(0.607)
High Needs Block	58.060	50.777	7.283
Early Years Block	30.162	29.617	0.545
Total	356.106	344.355	11.751

Notes - Schools Block excludes Growth Fund (£1.496m in 19-20).

3.9.15 In principle transfers, if agreed at the 15th January Forum meeting, will realign the blocks as follows:

- Schools Block £262.580m
- High Needs Block £59.160m

3.9.16 In addition the Council receives, and passports fully to schools, funding for the pupil premium (£17.4m) and 6th form funding (£12.36m). Final allocations for the pupil premium will be confirmed in July 2020 and 6th form funding in March 2020.

3.9.17 Schools Forum on 15th January 2020 will be asked to recommend final changes to the schools funding formula and Minimum Funding Guarantee and to finalise de-delegation.

Additional funding for SEN

3.9.18 Capital provision to expand special needs provision has been programmed for the years 2018-19 to 2020-21. For Tower Hamlets this totalled £6.015m.

3.10 HOUSING REVENUE ACCOUNT (HRA)

Rent Setting Summary

3.10.1 Section 23 of the Welfare Reform and Work Act forced local authorities to implement a rent reduction of 1% for four years starting in 2016-17. The last year to which the rent reduction applies is 2019-20.

3.10.2 In September 2018 the government published a consultation entitled 'Rents for social housing from 2020-21' in which it set out its proposals for social rent policy from 2020/21. The proposals are that the Regulator of Social Housing's rent standard will, from 2020/21, apply to local authorities. This will mean that, in common with other Registered Providers (RPs), local authorities will be permitted to increase their rents by a maximum of CPI + 1% for at least five years. In line with this updated rent policy, the Mayor in Cabinet is asked to agree that a rent increase of CPI + 1% be implemented from the first rent week in April 1st 2020.

2020/21 Rent increase

3.10.3 The current year's budget for rents is £65,770,000. As a result of the rent increase and the movements in stock arising from property acquisitions and disposals (including right to buy sales), the 2020/21 budget is estimated at £64,840,000. September 2019 CPI was 1.7%, therefore the average increase is 2.7% which equates to an average weekly rent increase in 2020/21 of £2.94.

2020/21 Increase in Tenanted Service Charges

3.10.4 It is proposed that tenanted service charges be increased by 2.7%. This is consistent with the new Social Housing rent standard rent policy which

increases rents in line with the previous year's September Consumer Price Index +1%. In this case, the September 2019 CPI was 1.7%, which will lead to an average weekly increase in tenanted service charges of approximately £0.23. It should be noted that energy charges are billed separately based on actual costs incurred.

3.10.5 The current year's budget for tenanted service charges is £4,775,000. As a result of the proposed increase in charges and the movements in stock arising from property acquisitions and disposals (including right to buy sales), the 2020/21 budget is estimated at £5,080,000.

3.11 TREASURY MANAGEMENT STRATEGY

3.11.1 The Treasury Management Strategy Statement will be revised and presented to Full Council in February 2020 in accordance with the CIPFA Treasury Management Code of Practice. The Statement will set out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements.

3.11.2 The proposed prudential indicators set out in the Treasury Management Strategy will be based on the capital programme once finalised.

3.12 BUDGET CONSULTATION

3.12.1 The Council must undertake statutory budget consultation with Business Rate payers in the borough and it is also good practice to consult with Council Tax payers and a broad range of other stakeholders. In addition, meaningful consultation must take place with service users before any changes to service provision are implemented. Furthermore, the Council's budget framework sets out the need for the Overview and Scrutiny Committee to be fully involved in the setting of the Council's budget.

3.12.2 The Council launched the six week Your Borough Your Future budget consultation campaign on Friday, 25 October 2019. Your Borough Your Future provides the Council with an overarching brand identity for public consultations around budget setting. In the first instance, and for the purposes of this report, Your Borough Your Future relates to the general consultation run between 25 October and 5 December 2019, which sought to provide residents with details of the financial challenges the Council currently faces and requested feedback on priorities for Council services. It also asked how the Council should consider its approach in light of the budgetary pressures it faces.

3.12.3 A 'campaign narrative' was agreed with the Mayor and Cabinet which identified and articulated the key drivers for the council's approach via Your Borough Your Future. The key messages in this narrative are:

- Significant real terms government core funding cuts since 2010 and growing pressure on key public services mean the Council has to find an additional £39m of savings by 2023.

- Tough choices will have to be made to maintain good quality services, and to continue to support our most vulnerable residents including children and older people.
- The Council has made significant savings (£190m since 2010) while continuing to find ways to deliver cost effective services and generate income from additional sources.
- Residents and businesses were encouraged to get involved by giving their views on what matters most to them, and suggesting ways in which Tower Hamlets can do things differently to help make savings.

3.12.4 The campaign aimed to engage as many residents and businesses as possible during a six week consultation period. A wide range of high visibility communication methods were employed, including press releases, dedicated budget website content and consultation on the council website, major social media channel promotion, on-street advertising, plasma advertising screens in public buildings (including Idea Stores), as well as direct mail of a dedicated budget consultation booklet to every household in the borough. The campaign also ensured representative views were sought (i.e. there was opportunity for people from all parts of the borough and from different age groups and ethnicities to take part). The council employed a dual approach of self-selection (opting-in to the online consultation) and targeted outreach (via a telephone survey and face-to-face interviews) to ensure a representative set of responses.

3.12.5 The consultation on Your Borough Your Future started on Friday 25 October and closed on Thursday 5 December 2019. A total of 1,917 responses were received. Whilst most people identified with the demographic and geographic breakdown, not all demographic responses were fully completed and no assumptions have been made where these have been left blank.

3.12.6 Key findings of the Your Borough Your Future consultation include:

- Overall, children's services and education & protecting and supporting vulnerable children were the most valued services in Tower Hamlets.
- Protecting and supporting vulnerable children is seen as the most important service the council should prioritise.
- Over half felt the council should reduce spending on temporary agency staff as well as generating more commercial income.
- The majority felt that efficiency, availability and quality will decline as a result of further savings.
- Around half said it was most important for the council to make services more efficient.
- 38% support a general council tax rise of up to 2 per cent, with 51% opposed, and 12% don't know.
- Just under half (47%) were in favour of a 2% increase in council tax to support adult social care services; slightly more than opposed it.
- Around two-thirds support the council expanding its approach to income generation.

3.12.7 A detailed report of the budget consultation has been included in Appendix 6 of this report. This was considered by cabinet on the 18th December 2019 and informed the final budget proposals detailed within this report.

4 EQUALITIES IMPLICATIONS

- 4.1 The Equality Act 2010 requires the council, in the exercise of its functions to have due regard to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 4.2 Tower Hamlets is a dynamic place where a thriving economy co-exists with high levels of poverty. The council is working to make the borough a safer, cleaner and fairer place to live and improve outcomes for local people however inequalities still exist. The borough is the second most densely populated local authority in the country with almost 19,000 people on the housing waiting list – the second highest in London – and 35,110 additional homes are needed over the next decade. There are significant health problems and the borough has the lowest life expectancy rates in London (disability-free) and 43 per cent of Year 6 children are overweight or obese. Tower Hamlets has the highest rates of child poverty in England at 32.5% and half of all residents aged 60+ live below the poverty line (three times the national rate). Coupled with this is the fact that Tower Hamlets has one of the fastest growing populations in the UK which is projected to rise from 323,700 in 2019 to 341,000 by 2023 and 376,300 in 2029.
- 4.3 These inequalities and rapid growth mean that ensuring equality is embedded throughout council plans, services and activities is the number one priority and at the heart of all decision making. To help meet its duty under the Equality Act the council undertakes equality impact assessments to analyse a proposed change in order to assess whether it has a disproportionate impact on persons who share a protected characteristic. As part of our budget setting process an equality impact assessment checklist is carried out on all new savings proposals to determine if a full equality impact assessment needs to be carried out.
- 4.4 The budget setting process for 2020-21 to 2022-23 has identified 17 savings proposals. Equality impact assessment checklists have been completed for all proposals and it has been determined that 11 of these will require a full equality impact assessment prior to a decision to implement being made. Details of the proposals are set out below:

Savings Proposal Reference	Savings Proposal Title	Directorate	Full Equality Impact Assessment Required?
SAV / HAC 001 / 20-21	Accommodation and Support for Single Homeless People	Health, Adults & Community	Yes
SAV / HAC 002 / 20-21	Merging of the PD Day Opportunities Service with the Riverside Day Service	Health, Adults & Community	Yes
SAV / HAC 003 / 20-21	Changes to the Adult Social Care Charging Policy	Health, Adults & Community	Yes
SAV / HAC 004 / 20-21	Integration of Tower Hamlets Short Term Support Services - Rehabilitation and Reablement	Health, Adults & Community	Yes
SAV / HAC 005 / 20-21	Technology-Enabled Care	Health, Adults & Community	No
SAV / CHI 001 / 20-21	Rationalisation and Development of Early Help Services from Conception to Age 25 in Youth and Commissioning	Children & Culture	Yes
SAV / CHI 002 / 20-21	Savings and Traded Delivery of Education & Partnership Services	Children & Culture	Yes
SAV / CHI 003 / 20-21	Transformation of Service Delivery provided by the Integrated Early Years' Service	Children & Culture	Yes
SAV / CHI 004 / 20-21	Transformation of Service Delivery Following the Youth Service Review	Children & Culture	Yes
SAV / CHI 005 / 20-21	Transformation of SEND Transport Commissioning	Children & Culture	Yes
SAV / PLA 001 / 20-21	Property Asset Strategy	Place	No
SAV / PLA 002 / 20-21	Deletion of Dedicated Business Assurance Function for Place Directorate	Place	No
SAV / PLA 003 / 20-21	New Town Hall Revenue Savings	Place	No
SAV / GOV 001 / 20-21	Legal Services	Governance	No
SAV / GOV 002 / 20-21	Modernisation of the Registration Service	Governance	No
SAV / RES 001 / 20-22	Revenues - Cashiers - reduce cash and cheque handling and eliminate the need for cheque printing	Resources	No
SAV / RES 002 / 20-21	Benefits Service – Centralisation of Assessments – Service Review and Restructure	Resources	Yes

- 4.5 As part of its budget setting process the council also consults with residents, businesses and community organisations to get their views in order to help shape the council's budget and council tax rate for 2020-21.
- 4.6 Increasing pressures on the councils limited finances mean that the council need to save an extra £39 million by 2023. This is a major challenge for the council which needs to give careful consideration to every penny spent while ensuring that equality remains at the heart of all decision making.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 The preparation of the MTFS has taken account of the Council's obligations in relation to its Best Value duty. The budget proposals are based on securing best value within the context of continuing reductions in Council funding and service demand pressures.
- 5.2 The sustainable action for a greener environment implications of individual proposals in the budget are set out in the papers relating to those proposals.
- 5.3 Managing financial risk is of critical importance to the Council and maintaining financial health is essential for sustaining and improving service performance. Setting a balanced and realistic budget is a key element in this process. Specific budget risks are set out in Section 3.7 of this report.
- 5.4 The crime and disorder implications of individual proposals in the budget are set out in the papers relating to those proposals.
- 5.5 Any safeguarding implications of individual proposals in the budget are set out in the papers relating to those proposals.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 As this report is primarily financial in nature the comments of the Chief Financial Officer have been incorporated throughout this report.
- 6.2 The government's Core Spending Power calculation makes assumptions about the level of growth in the Council Tax base and that authorities will increase Council Tax each year up to the referendum limit.
- 6.3 Not increasing the Council Tax in line with government assumptions could result in a growing financial pressure over the MTFS due to the impact on the Council's on-going tax raising base and also through the Fair Funding review where the government has indicated its preference to use a notional level of Council Tax rather than actual Council Tax levels to determine the extent of resources available to each authority.
- 6.4 Following receipt of the final settlement, the Chief Finance Officer (CFO) will need to be assured of the robustness of estimates and adequacy of reserves and this will be covered in the report to Cabinet on 29 January 2020.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The budget planning represented in this report is consistent with this legal duty.
- 7.2 However, the adoption of the final budget is reserved as a non-executive decision of full Council in accordance with Section 19 (3) of Part B of the Constitution. Therefore, in order for the recommendations in this report to be effective, a positive decision of a meeting of full Council is required in accordance with the budget framework.
- 7.3 There are areas covered in the report where persons with a protected characteristic may be indirectly affected by changes to the budget for the purposes of the Equality Act 2010. However, where changes in the budgetary position result in a change to the delivery of a service, the effect on persons should be considered immediately prior to the making of a change to the service.

Linked Reports, Appendices and Background Documents

Appendices

- Appendix 1 Medium Term Financial Strategy Summary
- Appendix 2 Medium Term Financial Strategy Detail by Service Area
- Appendix 3 New Growth Proposals 2020-21 to 2022-23
- Appendix 4 New Savings Proposals 2020-21 to 2022-23
- Appendix 5 Reserves Policy
- Appendix 6 Budget Consultation 2020-21

Linked Report

- None

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

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