

<b>Cabinet</b>  15 December 2021	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Kevin Bartle, Interim Corporate Director of Resources	<b>Classification:</b> Unrestricted
<b>2022-23 Budget Consultation Outcome</b>	

<b>Lead Member</b>	<b>Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector</b>
<b>Originating Officer(s)</b>	Allister Bannin, Head of Strategic and Corporate Finance
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	October 2021
<b>Reason for Key Decision</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	<p>1. People are aspirational, independent and have equal access to opportunities;</p> <p>2. A borough that our residents are proud of and love to live in;</p> <p>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</p>

### **Executive Summary**

In March 2022, the Council will agree its budget for 2022-23. In line with previous years, the Council has carried out consultation with residents, businesses and other key stakeholders to help inform budget decisions. This report for noting provides the results of the Council's 2022-23 budget consultation carried out from October to November 2021.

### **Recommendations:**

The Cabinet is recommended to:

1. Note the outcome of the Council's 2022-23 budget consultation with business ratepayers, residents and other key stakeholders.

## **1. REASONS FOR THE DECISIONS**

- 1.1 The Council has a statutory duty to carry out budget consultation with businesses and it is considered good practice to also consult with residents and key stakeholders.
- 1.2 The Council is under a duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities.
- 1.3 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.
- 1.4 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.

## **2. ALTERNATIVE OPTIONS**

- 2.1 Whilst the Council will adopt a number of approaches to the identification of measures aimed at delivering its MTFS it must set a legal and balanced budget and maintain adequate reserves.
- 2.2 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.

## **3. DETAILS OF THE REPORT**

### **3.1 BACKGROUND**

- 3.1.1 The medium term financial planning process is an essential part of the Council's resource allocation and strategic service planning framework. The Medium Term Financial Strategy (MTFS) integrates strategic and financial planning over a three year period. It translates the Strategic Plan priorities into a financial framework that enables the Mayor and officers to ensure policy initiatives can be delivered within available resources and can be aligned to priority outcomes.

### 3.1.2 The drivers for the Council's financial strategy are:

- To set a balanced budget over the life of the MTFS whilst protecting residents from excessive Council Tax increases, as defined by the government, through the legislative framework covering Council Tax referenda.
- To fund priorities agreed within the Strategic Plan, ensuring that service and financial planning delivers these priorities.
- To deliver a programme of planned reviews and savings initiatives designed to keep reductions to service outcomes for residents to a minimum.
- To maintain and strengthen the Council's financial position so that it has sufficient contingency sums, reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for residents.
- Ensuring the Council maximises the impact of its spend to deliver priority outcomes in the context of reducing resources.

3.1.3 In March 2021, the Council agreed a balanced budget for 2021-22, utilising £1.254m of general fund reserves in 2021-22.

3.1.4 Since 2011-12 in the face of unprecedented reductions in Government funding and increasing demand on services, the need to make savings has dominated the Council's financial planning process. In early 2020, a further dimension appeared with the need for local authorities to respond immediately to the Covid-19 virus.

## 3.2 **STRATEGIC APPROACH**

3.2.1 In April 2021, Cabinet approved a revised 2021-24 Strategic Plan. The Strategic Plan has been updated to reflect:

- the continued response to the pandemic
- moving into pandemic recovery for the borough
- progress and achievements made since the last strategic plan
- information relevant to priority-setting such as the Council's performance and community needs

3.2.2 Also revised for the 2021-24 Strategic Plan are the high-level actions (what actions will we take) and measures (what will we measure) - to review and reflect on progress made. Importantly the Strategic Plan will be delivered in the context of moving from pandemic to recovery. In doing this we will:

- ensure the Council, residents and partners recover from the impact of the pandemic whilst continuing to respond to it

- deliver Council priorities - including a sustainable future budget - and better outcomes for residents
- grasp the opportunities from new ways of working, efficiency and effectiveness learnt during this period
- work with partners to contain future outbreaks, minimise cases and deaths - particularly in our most vulnerable residents
- communicate public health guidance
- ensure affected residents get the support and care they need
- ensure that the impact of service disruption is minimised

3.2.3 The refreshed Strategic Plan focuses on the three priorities set out below; within each priority there are a number of outcomes which guide how services will be delivered in the interests of residents.

**Table 1 – Strategic Priority Outcomes**

<b>Priority 1: People are aspirational, independent and have equal access to opportunities</b>	
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.
<b>Priority 2: A borough that our residents are proud of and love to live in</b>	
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.
<b>Priority 3: A dynamic, outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough</b>	
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.

### 3.3 TIMETABLE

3.3.1 In the 5<sup>th</sup> January 2022 Cabinet report, Members will be presented with an updated MTFS, including taking account of government funding announcements received before then and updated income assumptions for Council Tax and Business Rates.

3.3.2 The draft timetable for the budget setting process is as follows:

Activity	Date
Review of the MTFS considering budget consultation outcome	5 January 2022 Cabinet
Approval of Fees & Charges 2022-23	
Approval of Council Tax Base 2022-23	
Agree proposal of average housing rent increase and average tenanted service charge increase	
Agree the Local Council Tax Reduction Scheme proposal (if changes are proposed)	Any LCTRS changes would require Council approval by end of January 2022
Overview & Scrutiny Committee - Budget Scrutiny meeting to review final Cabinet budget proposals and provide comments for consideration by Cabinet and Full Council	10 January 2022 and 31 January 2022
Review of the MTFS following Local Government Finance Settlement	26 January 2022 Cabinet
Approval of Capital Programme 2022-25	
Agree final budget and setting of Council Tax	2 March 2022 Full Council

### 3.4 BUDGET CONSULTATION AND SCRUTINY PROCESS

3.4.1 The Council must undertake statutory budget consultation with Business Rates payers in the borough and it is also good practice to consult with Council Tax payers and a broad range of other key 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 involved in the setting of the Council's budget.

3.4.2 The Council carried out the six weeks budget consultation from 4 October until 15 November 2021. The consultation sought to provide 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 which have increased due to the impact of the Covid-19 pandemic.

3.4.3 A consultation narrative was agreed which identified and articulated the key drivers for the Council's approach. The key messages in this narrative were:

- This year the Council is spending £1.2 billion gross expenditure (£364.1million net expenditure budget) on public services to support people and improve lives. Almost half of our net budget is spent on supporting children and vulnerable adults.
- Covid-19 has had a huge impact on our services and on our finances and we set this budget in that context.
- We've worked hard to make over £200m in savings since 2010, as our budget has been cut by the government and we've been squeezed by additional demand.
- The additional expenditure and income pressures that have now been experienced because of the pandemic, alongside increasing demand for services and expected changes to government funding, mean that we still need to look at achieving significant savings.
- The required savings are subject to ongoing uncertainty as this will depend on both the extent to which the government provides additional funding for Covid-19 pressures, and the impact of the pandemic on income from council tax and business rates.
- Despite challenges from budget cuts, increases in the number of vulnerable residents and a rising population, we are proud to continue our investment in frontline services and have the seventh lowest council tax in London.
- We have made a number of tough choices to minimise the impact on those services residents have told us that they rely on the most. We have reduced our own running costs, been more efficient in how we deliver services, and reduced our workforce by a third since 2010.
- We have to make the most of the money we have, as well as continuing to look at innovative ways to generate income.
- This consultation is an opportunity for residents, businesses and local organisations to get involved and help shape our next budget.

3.4.4 The consultation aimed to engage as many residents, businesses and local organisations as possible during a six-week consultation period. A wide range of visible communication methods were employed, including a press release and local media promotion with Black, Asian and minority ethnic media, Council website promotion linking to the online Let's Talk Tower Hamlets Consultation Hub, pull-up advertising banners in Idea Stores and the Town Hall and on-street advertising. Social media carried regular messages and used the budget consultation designs and infographics focused on the key narrative.

There were regular stories urging people to take part in the consultation promoted across a number of e-newsletters including the Council's weekly e-newsletter, the business newsletter and the Bengali language e-newsletter. Additional direct promotion took place with staff, elected Members and shared with key partners.

An 8-page budget consultation booklet was designed and delivered to every home across the borough, Idea Stores, libraries and the Town Hall to maximise awareness of the key issues and encourage engagement with the consultation.

The consultation 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). As in previous years, the Council has employed a dual approach of self-selection (opting-in to the Council's online Let's Talk Tower Hamlets consultation hub), and commissioned surveys carried out by SMSR Research to support a representative set of responses.

Covid-secure face-to-face interviews were carried out by SMSR Research with residents and businesses either on street, at business premises or at Idea Stores in the borough.

3.4.5 The consultation started on Monday 4 October and closed on Monday 15 November 2021. A total of 1,843 responses were received. A representative sample of 1,100 residents and 500 businesses were interviewed by SMSR Research. In addition, a total of 243 residents, businesses and community groups responded to the consultation hosted on the Council's Let's Talk Tower Hamlets consultation hub. 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.

Overall, three-quarters responded as a local resident (73%), just under a quarter responded as a business (27%) and less than 1% via a local community organisation. All responses have been combined in the report.

3.4.6 Key findings of the budget consultation include:

- Respondents say that they value Community Safety the most - a shift from 2020 when Public Health was seen as the most valuable service.
- This is followed by Children's Services (39%), Street Cleaning and Waste (36%) and Public Health (35%).
- In terms of which services people want to prioritise, almost half (48%) say that Community Safety should be the top priority for the Council.
- This is followed by Children's Services (40%), Public Health (37%) and Housing Services (30%). Highways and Transport services were seen as least important (12%).
- Businesses also support the prioritisation of Community Safety but with greater support than residents for Economic Growth and Job Creation (43%).
- 59% of all respondents want the Council to reduce spending on temporary agency staff.

- Half of all respondents (50%) support delivering more services digitally and (39%) support finding more commercial income and maximising the use of Council assets.
- There is limited (3%) support for a reduction in spending on frontline services.
- To minimise the impact of future savings, 43% of respondents support working closely with the voluntary and community sector.
- Less than a tenth (8%) support outsourcing services to the private sector.
- In terms of support for an adult social care precept, 58% are in favour, with a fifth (22%) against, and a further fifth (19%) unsure.
- Overall support for a rise in the adult social precept has increased by 2% since 2020.
- More than two-fifths (42%) of all respondents support an increase to council tax, down 5% on 2020. Support for the proposal was more prominent amongst older respondents with more than half of those aged 55-64 (51%) and over 65 (57%) in favour of the rise in council tax.
- Almost half (49%) of all respondents do not support any rise to council tax and a tenth did not know.
- Businesses strongly oppose (62%) any increase in council tax.
- 47% of all respondents said they would support some sort of council tax increase.
- A third (34%) of all respondents support an increase between 0% and 2%, (8%) support an increase between 2% and 3%, and 5% support an increase above 3%.

3.4.7 A detailed report of the budget consultation results provided by SMSR has been included in Appendix 1 of 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 Strategic budget implications in respect of the Council's available funding and budget risks will have different impact on protected characteristics. These impacts will be considered as part of individual proposals and where relevant mitigating actions identified. The overall budget proposals will consider any significant impact on protected characteristics and look to mitigate these where possible.

4.3 The consultation reached out to a diverse range of residents as set out in the report. It also provides analysis of the value placed by different protected characteristics on different services, priorities for delivering future savings and views on council tax increase. The results of this consultation will inform the budget to be agreed in March 2022 and support equalities impact assessments for specific budget proposals.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all its services. It is important that, in considering the budget, Members satisfy themselves that resources are allocated in accordance with priorities and that best value is achieved.
- 5.2 The preparation of the MTFs takes 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.
- 5.3 The sustainable action for a greener environment implications of individual proposals in the budget are set out in the papers relating to those proposals.
- 5.4 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 will be reported to Cabinet as the budget process develops. The Council will maintain a range of budget provision (contingency) earmarked reserves for specific risks and general reserves for unforeseen events and risks.
- 5.5 The crime and disorder implications of individual proposals in the budget are set out in the papers relating to those proposals.
- 5.6 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 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.
- 6.2 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.
- 6.3 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 26 January 2022.

## **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 Council is also required to consult with non-domestic rate payers in accordance

with S.65 of the Local Government Act 1992 when making a determination relating to the Council's future year's expenditure. Therefore, the consultation and budget planning represented in this report is consistent with these legal duties.

7.2 Under the law any consultation must occur whilst the relevant decision is still at a formative stage. The consultation discussed in this report is valid in that respect.

7.3 The adoption of the final budget is reserved as a non-executive decision of full Council in accordance with the Constitution. Therefore, the results of the consultation will be taken into consideration but only in as far as the executive forms a recommendation which may only be adopted by a decision of full Council.

7.4 Any resultant recommendations to full Council which emanate from this consultation may involve an adjustment to the way the Council seeks to fulfil its statutory functions. This may mean that:

7.4.1 the actual changes may be subject to further specific consultation with stakeholders and

7.4.2 where the changes may have an effect on persons with a protected characteristic that the changes will be subject to specific Equalities assessments and consultation where the Council requires such consultation to gain a proper understanding under the law of the effect of those changes on such persons.

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## **Linked Reports, Appendices and Background Documents**

### **Appendices**

- Appendix 1 Budget Consultation 2021

### **Linked Report**

- None

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

- None

### **Officer contact details for documents:**

Allister Bannin, Head of Strategic and Corporate Finance, 020 7364 3930  
Shakil Rahman, Senior Accountant, 020 7364 1658