


<p>Council</p> <p>2 March 2022</p>	
<p>Report of: Kevin Bartle, Interim Corporate Director - Resources (Section 151 Officer)</p>	<p>Classification: Unrestricted</p>
<p>The Council's 2022-23 Budget Report</p>	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Kevin Bartle, Interim Corporate Director – Resources (s151 officer)
Wards affected	All wards
Key Decision?	Yes
Forward Plan Notice Published	December 2021
Reason for Key Decision	To approve the 2022-23 Council Tax resolution and to consider and agree the proposals of the Mayor in Cabinet for the Council's Budget for 2022-23 and approve the Treasury Management Strategy Statement, Investment Strategy and Capital Strategy for 2022-23.
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

This report sets out the proposals of the Mayor in Cabinet for the Council's Budget and Council Tax 2022-23.

This report also includes the Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2022-23, approved for recommendation to Council by the Audit Committee on 27th January 2022.

Recommendations:

In accordance with the recommendation of the Mayor in Cabinet, Full Council is recommended:

Revenue 2022-23 and Capital 2022-25

1. To note a General Fund Revenue Budget of £389.473m and approve a Council Tax (Band D) of £1,124.39 (Council share) for 2022-23 as set out in the motion and Council Tax Resolution attached at Annex 1 to this report. This incorporates a freeze to the Tower Hamlets element of Council Tax and to only levy a 1% Adult Social Care precept for 2022-23.
2. To note the GLA precept as set out in the Council Tax Resolution is subject to the approval of the GLA Assembly at their meeting scheduled for 24 February, any changes as a result of that meeting will be made known to Council before the date of this meeting.
3. To note the changes in the budget report appendices to reflect the final Local Government Finance Settlement grant allocations (Annex 2 Appendix 1A, 1B, 2 and 3A)
4. To note the Capital Programme, Housing Revenue Account budget and Dedicated Schools budget.

Treasury Management Strategy Statement, Investment Strategy and Capital Strategy 2022-23

5. To adopt the Treasury Management Strategy Statement set out in Annex 3 Appendix A attached to this report.
6. To adopt the Investment Strategy Report set out in Annex 3 Appendix B attached to this report.
7. To adopt the Capital Strategy Report (which incorporates the Minimum Revenue Provision Policy Statement) set out in Annex 3 Appendix C attached to this report.

Section 25, Local Government Act 2003

8. To note the Section 151 officer's view on the robustness of estimates and adequacy of reserves required under Section 25 of the Local Government Act 2003, set out in section 2 of this report.

Local Council Tax Reduction Scheme (LCTRS)

9. To note that the Local Council Tax Reduction Scheme will remain unchanged for 2022-23.

1. CABINET MEETING, 9 FEBRUARY 2022

- 1.1 The Cabinet received the report of the Corporate Director - Resources on the Council's 2022-23 Budget Report.
- 1.2 In considering the information in the reports, the Mayor and Cabinet considered the comments of the Overview and Scrutiny Committee (OSC) on the Mayor's initial budget proposals for 2022-23.
- 1.3 The Mayor and Cabinet also considered feedback from the budget consultation process.
- 1.4 The Mayor in Cabinet also agreed to authorise the Corporate Director – Resources, after consultation with the Mayor and Lead Member for Resources, to make any changes required to the budget following the final Local Government Finance Settlement announcement.
- 1.5 Please note that the following appendices from the Cabinet meeting of 9th February 2022 have been updated to reflect the final Local Government Finance Settlement grant allocations:
 - Appendix 1A - Budget Summary
 - Appendix 1B - Budget Detail by Service Area
 - Appendix 2 - Tower Hamlets Core Spending Power
 - Appendix 3A - New Growth, Inflation and Changes to Existing Savings
- 1.6 The final Local Government Finance Settlement grant allocations have been updated for Improved Better Care Fund, Social Care Grant, Public Health Grant, Homelessness Prevention Grant and Lower Tier Services Grant. These grants have been allocated to the respective service areas in the budget.
- 1.7 Please note that the following appendices have been added to the Cabinet report (Annex 2) to show the General Fund growth and savings previously approved by Full Council:
 - Appendix 3D Previously Approved Growth and Inflation
 - Appendix 3E Previously Approved Savings

- 1.8 At this time due to funding reforms signalled by Government and the Council's reliance on funding sources that are potentially subject to change significantly in the Medium Term, the Council is to set a one-year revenue budget for 2022-23 (including one year new investment in services) whilst continuing to monitor the Medium Term position.
- 1.9 One reason Councils have been provided with a single year settlement by Government is due to funding reforms that have been delayed, annually, for several years that the Government has signalled its intention to now take forward. The distribution formula utilised for allocating resources across Local Authorities dates to 2013-14 and the Government propose to take forward a 'Fair Funding Review' to ensure a more up to date assessment of need. It is expected that this will incorporate a review of Business Rate Baselines and the New Homes Bonus grant, both being significant contributors to the current level of Council funding.

2. SECTION 25, LOCAL GOVERNMENT ACT 2003

The robustness of the budget estimates

- 2.1 Under Section 25 of the Local Government Act 2003, the Corporate Director - Resources (the S151 officer) is required to include, in the budget report, his view of the robustness of the 2022-23 estimates. This forms part of the statutory advice from the S151 officer to the Council in addition to his advice provided throughout the year in the preparation of the budget for 2022-23.
- 2.2 The Mayor and Cabinet have been advised of the financial challenges the Council faces over the next financial year, the medium and longer term. The levels of government funding for 2022-23 have been clearly identified in this report and it must be recognised and understood that a one-year funding settlement, as is currently the case, creates a level of uncertainty and, therefore, creates a financial planning risk.
- 2.3 Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Full Council reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the S151 officer is satisfied with the accuracy and robustness of the estimates included in this report although it must be acknowledged that the delivery in full and to time of the pre-agreed savings proposals included in this budget is not without risk:
- Budget proposals have been developed following guidance from the Corporate Director - Resources.
 - A review by the Corporate Leadership Team of all budget proposals and their achievability has taken place.
 - The budget proposals have been consulted upon.
 - The Mayor and Cabinet members have reviewed and challenged all budget

proposals. The Overview & Scrutiny committee have scrutinised the budget proposals.

- A robust process of development and challenge with Corporate Directors and Cabinet members has taken place.
- Contract inflation has been provided for, although Council members need to be aware of the additional risk to the estimates of the current rising inflation.
- Adequate allowance is made for pension costs with budgeted contributions in line with the recommendations from the 2019 triennial pension review.
- Corporate Directors have made reasonable assumptions about growth pressures.
- Mechanisms will be in place to monitor areas of expenditure and the delivery of budget proposals.
- The Council recognises that it faces an increasing financial challenge due to the combination of the COVID-19 pandemic, government grant changes, demographic trends including increasing demand and complexity and cost of that demand. The latest current year Council Revenue Budget Monitoring (month 9) forecasts a net overspend of only £0.1m, however this estimate is after the use of significant additional government COVID related grant, which is being phased out as we move toward the end of the pandemic, also some other earmarked reserves are being utilised in delivering services. Reserves should not be used for recurrent expenditure.
- The use of budget monitoring data in 2021-22, to support the re-alignment of budgets project, with growth provided in 2022-23 where appropriate to meet identified budget pressures.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the Prudential Code and the Council's Treasury Management Strategy Statement (included elsewhere on this agenda).
- The revenue effects of the capital programme are reflected in the budget with an increase of £1.1m provided for in the revenue net cost of borrowing in 2022-23.
- The recommendations regarding fees and charges are in line with the assumptions in the budget.
- The provision for redundancy is reasonable to meet future restructuring and downsizing.
- The establishment of appropriate management and monitoring arrangements for the delivery of on-going savings programmes.
- A prudent approach has been adopted on the local share of income receivable through business rates.
- The budget proposals include an annual base budget contingency of £3.1m.
- Reasonable assumptions have been made on the use of S106 and CIL funding. Such contributions can only be used once a process is in place for 2022-23 and beyond, to tackle underlying budget pressures and produce balanced budgets going forward.

Risk, revenue balances and earmarked reserves

- 2.4 The S151 officer is also required under the act to include, in budget reports, his view of the adequacy of the balances and reserves the budget provides for. The level of balances is examined each year along with the level of reserves in light of the risks facing the authority in the medium term.
- 2.5 Reserves play a crucial role in good public financial management. They exist so that a council can make one-off investments in service transformation for the future or to respond to one-off unexpected events or emerging needs. They are the foundation for good financial management and resilience. As one-off resources they can only be spent once.
- 2.6 Although the General Fund outturn is, as at Period 9, forecast to be only a net overspend of £0.1m, this takes into account the use of significant one-off COVID related grant and some earmarked reserves in delivering services (i.e. without the use of these reserves there would be a higher forecast overspend); reserves generally are on a downward trend, although the 2022-23 position is better than forecast due to additional government grant being allocated late in the current financial year. It should be noted that, nevertheless, given the latest forecast financial position, earmarked and General Fund revenue reserves are consequently projected to reduce; from £212m to £189m by the end of this financial year.
- 2.7 Any continuing reduction in reserves is not a sustainable position for the Council given the probable constraints to be imposed by the future Medium Term Financial Strategy and the associated need to contain net expenditure in line with approved budgets.
- 2.8 Members of the Council are not automatically obliged to accept the advice of the S151 officer in every particular case, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from that advice.

General fund balances

- 2.9 The Council's general fund balance, subject to Audit, is forecast to be maintained at the prescribed level of £20m as at 31 March 2022.
- 2.10 Given the on-going scale of change in local government funding, and risks facing the Council, the Council's S151 officer considers that the general fund balance needs to be maintained at this level, in accordance with Council policy, for the foreseeable future.

3 EQUALITIES IMPLICATIONS

- 3.1 Equalities implications are set out in the reports which are appended.

4 OTHER STATUTORY IMPLICATIONS

4.1 a) This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

b) None.

5 COMMENTS OF THE CHIEF FINANCE OFFICER

5.1 As this report is financial in nature the comments of the Chief Finance Officer (S151 officer) have been incorporated throughout this report. Particular reference should be made to the S151 officer's statement included in this report, as required by Section 25 of the Local Government Act 2003, relating to the adequacy of reserves, robustness of estimates and the Council's annual contingency budget.

6 COMMENTS OF LEGAL SERVICES

6.1 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's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control of which this report forms part. It is consistent with these arrangements for the Council to receive information about the revenue and capital budgets as set out in this report.

6.2 The Chief Finance Officer (the section 151 officer) has made a statement regarding the robustness of the various estimates included in this report and the adequacy of the proposed reserves in accordance with S,25 of the Local Government Act 2003. Under the same law the Council must have regard to such statement before agreeing or otherwise the recommendations stated in this report.

6.3 The setting of budgets and monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report complies with that legal duty.

6.4 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

The following documents are attached to this report for the Council's consideration: -

Annex 1: Budget Motion from Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector.

- Appendix A - Council Tax Resolution

Annex 2: Report of the Corporate Director - Resources: The Council's 2022-23 Budget Report.

Appendices 1 - 8 to the above report: -

- Appendix 1A Budget Summary
- Appendix 1B Budget Detail by Service Area
- Appendix 2 Tower Hamlets Core Spending Power
- Appendix 3A New Growth, Inflation and Changes to Existing Savings
- Appendix 3B New Growth Business Cases – General Fund
- Appendix 3C New Growth Business Cases – HRA
- Appendix 3D Previously Approved Growth and Inflation
- Appendix 3E Previously Approved Savings
- Appendix 4 Reserves Policy
- Appendix 5 Projected Movement in Reserves
- Appendix 6 Housing Revenue Account (HRA) Budget Summary
- Appendix 7A Capital Budget by Programme
- Appendix 7B Capital Budget Detail
- Appendix 7C Capital Growth
- Appendix 7D Capital HRA Budget by Programme
- Appendix 8 Budget Consultation

Annex 3: Report of the Corporate Director - Resources to the Audit Committee 27th January 2022: Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2022-23.

- Appendix A Treasury Management Strategy Statement
- Appendix B Investment Strategy Report
- Appendix C Capital Strategy Report
- Appendix D Prudential and Treasury Indicators
- Appendix E Treasury Management Policy Statement
- Appendix F Treasury Management Scheme of Delegation

- Appendix G Treasury Management Reporting Arrangement
- Appendix H Glossary

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

- None

Officer contact details for documents:

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