


Council	 TOWER HAMLETS
1 March 2023	
Report of: Caroline Holland, Interim Corporate Director - Resources (Section 151 Officer)	Classification: Unrestricted
The Council's 2023-24 Budget Report and Medium-Term Financial Strategy 2023-26	

Lead Member	Councillor Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	Caroline Holland, Interim Corporate Director - Resources (Section 151 Officer)
Wards affected	All wards
Key Decision?	Yes
Forward Plan Notice Published	November 2022
Reason for Key Decision	To approve the 2023-24 Council Tax resolution and to consider and agree the proposals of the Mayor in Cabinet for the Council's Budget for 2023-24 and approve the Treasury Management Strategy Statement, Investment Strategy and Capital Strategy for 2023-24.
Strategic Plan Priority / Outcome	All Strategic Plan Priorities

Executive Summary

This report sets out the proposals of the Mayor in Cabinet for the Council's Budget and Council Tax 2023-24.

This report also includes the Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2023-24, approved for recommendation to Council by the Audit Committee on 26th January 2023.

Recommendations:

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

Revenue 2023-26 and Capital 2023-26

1. To note a General Fund Revenue Budget of £446.205m and approve a Council Tax (Band D) of £1,146.88 (Council share) for 2023-24 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 2% Adult Social Care precept for 2023-24.
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 23 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 change in the budget report appendices to reflect the final Local Government Finance Settlement grant allocation for the Services Grant which was increased by £0.178m (Annex 2 Appendix 1A, 1B, 2 and 6).
4. To note the Capital Programme, Housing Revenue Account budget and Dedicated Schools budget.

Treasury Management Strategy Statement, Investment Strategy and Capital Strategy 2023-24

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 2023-24.

1. CABINET MEETING, 25 JANUARY 2023

- 1.1 The Cabinet received the report of the Corporate Director - Resources on the Council's 2023-26 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 2023-26.
- 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 Cabinet Member for Resources and the Cost of Living, 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 25th January 2023 have been updated to reflect the final Local Government Finance Settlement grant allocations:
 - Appendix 1A - MTFS Summary
 - Appendix 1B - MTFS Detail by Service Area
 - Appendix 2 - Tower Hamlets Core Spending Power
 - Appendix 6 - Projected Movement in Reserves
- 1.6 The final Local Government Finance Settlement was received on 6 February 2023 and this increased the Services Grant allocation by £0.178m.

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, their view of the robustness of the 2023-24 estimates. This forms part of the statutory advice from the S151 officer to the Council in addition to their advice provided throughout the year in the preparation of the budget for 2023-24.
- 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 2023-24 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. Further changes to the funding for local government and any review to Business Rates adds to this risk as transitional arrangements are not guaranteed.

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 in line with the statutory requirement.
- 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 if the current high levels of inflation were to continue for the medium term.
- Adequate allowance is made for pension costs with budgeted contributions in line with the recommendations from the 2019 triennial pension review. The 2022 triennial pension review is not expected to increase the recommended level of contributions to the Pension Fund.
- 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 high inflation and interest rates, the cost of living crisis, ongoing impacts from the COVID-19 pandemic and Brexit, 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 £3.3m, however this estimate is after the use of significant levels of earmarked reserves. Reserves should not be used for recurrent expenditure.
- The use of budget monitoring data in 2022-23, to support the re-alignment of budgets project, with growth provided in 2023-24 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. There was 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.

Risk, revenue balances and earmarked reserves

- 2.4 The S151 officer is also required under the act to include, in budget reports, their 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 The General Fund outturn is, as at Period 9, forecast to be a net overspend of £3.3m, this takes into account the use of significant one-off earmarked reserves in delivering services (i.e. without the use of these reserves there would be a higher forecast overspend). Reserves are on a downward trend, with earmarked and General Fund revenue reserves projected to reduce from £160m to £54m by the end of 2025-26.
- 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 It is also likely that the Council may have to use some of its resources, likely to be from earmarked reserves without restriction, to pay off the DSG deficit, which is estimated to be £11m by the end of 2025-26, as a result of the statutory deficit override expected to come to an end in the medium term.
- 2.9 Whilst the budget is balanced for 2023-24, there is a significant gap in the medium term of £37.8m by 2025-26. The budget process for this will commence in the new financial year with some of the options available to eliminate the budget including:

- Savings – reduction/deletion of service
- Savings – efficiencies including procurement
- Income – increase in fees and charges/new sources of income/commercialisation
- Use of balances
- Review of growth
- Review of capital programme – schemes and funding
- Council Tax increases - although it is acknowledged that the current Mayor’s commitment is for no increase over the term

2.10 The scale of the challenge is also compounded by some significant insourcing of services which may bring additional revenue and capital investment, alongside the new capital projects which are noted as part of the budget report, which will have revenue implications over the medium term.

2.11 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

2.12 The Council’s general fund balance, subject to audit, is forecast to be maintained at the prescribed level of £20m as at 31 March 2023.

2.13 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 Saied Ahmed, Cabinet Member for Resources and the Cost of Living

- Appendix A - Council Tax Resolution

Annex 2: Report of the Corporate Director - Resources: The Council's 2023-26 Budget Report.

Appendices 1 - 8 to the above report: -

- Appendix 1A Medium Term Financial Strategy Summary
- Appendix 1B Medium Term Financial Strategy Detail by Service Area
- Appendix 2 Tower Hamlets Core Spending Power
- Appendix 3A Growth, Core Grants and Inflation Summary
- Appendix 3B New Growth Business Cases – General Fund
- Appendix 3C New Growth Business Cases – HRA
- Appendix 4A Savings Summary
- Appendix 4B New Savings Business Cases – General Fund
- Appendix 5 Reserves Policy
- Appendix 6 Projected Movement in Reserves
- Appendix 7 Housing Revenue Account Budget Summary
- Appendix 8A Capital Budget by Programme - General Fund
- Appendix 8B Capital Budget Detail – General Fund
- Appendix 8C Capital Growth and Reductions – General Fund
- Appendix 8D Capital Budget by Programme – HRA

Annex 3: Report of the Corporate Director - Resources to the Audit Committee 26th January 2023: Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2023-24.

- 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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