


Cabinet 16 December 2020	 TOWER HAMLETS
Report of: Kevin Bartle, Acting Corporate Director of Resources	Classification: Unrestricted
2021-22 Budget Consultation Outcome	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Allister Bannin, Head of Strategic and Corporate Finance
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	3 December 2020
Reason for Key Decision	N/A
Strategic Plan Priority / Outcome	<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 February 2021 the Council will agree its budget for 2021-22. 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 2021-22 budget consultation carried out from October to December 2020.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the outcome of the Council's 2021-22 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 Due to the impact of the Covid-19 pandemic, Tower Hamlets now finds itself in a materially changed environment from that which existed in February 2020 when the budget and medium term financial strategy were approved by the Council.
- 1.3 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.
- 1.4 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.
- 1.5 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.

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 February 2020 the Council agreed a balanced budget for 2020-21 and a Medium Term Financial Strategy (MTFS) to 2022-23 identifying further savings of £8.653m to be delivered over that period and utilising £1.740m of general fund reserves in 2020-21.

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 The Strategic Plan 2020-23 was refreshed at the Cabinet meeting on 29 July 2020 to take account of the Covid-19 pandemic impacts of exposed inequality and rising demand, as well as opportunities to holding on to gains such as improved air quality, delivering services in a different way and tackling rough sleeping. 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

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.

3.3 TIMETABLE

- 3.3.1 In the 6th January 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	6 January 2021 Cabinet
Approval of Fees & Charges 2021-22	
Approval of Council Tax Base 2021-22	
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)	LCTRS changes would require Council approval by end of January 2021
Overview & Scrutiny Committee - Budget Scrutiny meeting to review final Cabinet budget proposals and provide comments for consideration by Cabinet and Full Council	11 January 2021 (and February date TBC)
Review of the MTFs following Local Government Financial Settlement	27 th January 2021 Cabinet
Approval of Capital Programme 2021-24	
Agree final budget and setting of Council Tax	By 1 st March 2021 Full Council

3.4 BUDGET CONSULTATION AND SCRUTINY PROCESS 2021-24

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 campaign from Wednesday 28 October until Wednesday 9 December 2020. 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 campaign narrative was agreed which identified and articulated the key drivers for the Council's approach. The key messages in this narrative were:

- Ongoing financial pressures, including responding to Covid-19, mean that despite saving £200m since 2020, the Council now has to save a further £30m by 2024.
- The impact of Covid-19 has highlighted the importance of public services. However, while the Government said that local councils should do 'whatever it takes' to support their communities they have not fully covered the reduced income and increased costs the Council has faced and this is on top of over a decade of austerity.
- Despite challenges from budget cuts, increases in demand from vulnerable residents and a rising population, the Council has continued to invest in frontline services and has the seventh lowest council tax in London.
- The Council is committed to adapting its services with a continuing focus to make them more efficient. It also has a number of anti-poverty measures in place including funding for free school meals and one of the most generous council tax reduction schemes in the country.
- 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.

3.4.4 The campaign aimed to engage as many residents and businesses as possible during a six weeks consultation period. A wide range of visible communication methods were employed, including an Our East End story ahead of consultation, press releases, local media promotion including with BAME media, Council website promotion linking to the online Let's Talk Tower Hamlets Consultation Hub. A major social media campaign 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 and the Bengali language e-newsletter. Additional direct promotion took place with staff, elected Members and with key partners.

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

Mayor John Biggs also led a virtual 'Ask The Mayor' event on the evening of Tuesday 24 November, where viewers could ask their questions related to the budget.

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). 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 telephone surveys carried out by SMSR Research to support a representative set of responses.

Face-to-face interviews or public engagement sessions such as those that have previously taken place at Idea Stores and other public locations could not take place this year due to the Covid-19 pandemic restrictions.

3.4.5 The consultation on Your Borough Your Future started on Wednesday 28 October and closed on Wednesday 9 December 2020. A total of 1,955 responses were received. A representative sample of 1,138 residents and 468 businesses were interviewed by SMSR Research. In addition, a total of 349 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 (75%), just under a quarter responded as a business (23%) and 1% via a local community organisation. All responses have been combined in the report.

3.4.6 Key findings of the budget consultation include:

- Overall, Public Health is the most valued service (41%), followed by Community Safety (38%), Children's Services and Education (34%) and Services for Elderly and Vulnerable Adults (33%).
- Public Health (again at 41%) is seen as the most important service in a list of the top three to prioritise. Followed by Children's Services and Education (36%), Community Safety (35%) and Services for Elderly and Vulnerable Adults (34%).
- Half (50%) felt the Council should reduce spending on temporary agency staff. Followed by (45%) support for more services using digital technology and (40%) support to generate more commercial income and maximise the use of council assets.
- The majority felt the availability (78%) and quality (58%) of services will decline as a result of further savings. 52% believed services would become more efficient as a result of savings.
- To minimise the impact of savings there was most support for better use of council assets to generate income (54%) followed by working more closely with the voluntary sector and partners (45%), and sharing services with neighbouring boroughs and more use of technology (44%).
- Just under half (47%) support a council tax rise, with 43% opposed and 10% don't know.
- Of those who support a council tax rise, 26% would support an increase of up to 2%, followed by 12% support for a rise between 2% and 3%.
- More than half (56%) were in favour of an adult social care precept, with over a quarter (28%) against, and 16% don't know.

- Increased income generation from greater use of council assets and through fees and charges were supported by almost three quarters (74%), with 14% opposed and 11% don't know.

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 tend to apply equally across all groups with protected characteristics or otherwise.

4.3 The HRA and DSG are ring-fenced funding allocations with prescriptions governing their use. In addition, several grants received by the Council can only be used in accordance with specified conditions.

4.4 The Council must maintain a Local Council Tax Reduction Scheme which will prescribe those individuals that can gain relief from the full cost of their Council Tax bill. Government legislation also preserves some historic protections for other groups such as those not of working age.

4.5 Individual budget proposals will also be subject to consultation which will consider specifically the impact on groups with protected characteristics and where appropriate put in place mitigation measures.

4.6 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 third highest in London – and between 2016-17 and 2030-31 Tower Hamlets is expected to accommodate an additional 54,000 homes. There are significant health problems and the borough has the lowest life expectancy rates in London (disability-free) and 43% 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 (highest proportion in England and more than double the average). 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 317,000 in 2019 to 380,598 by 2030.

4.7 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.

- 4.8 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 2021-22.
- 4.9 Increasing pressures on the Council's limited finances due to the impact of the Covid-19 pandemic mean that the Council needs to save an extra £30 million by 2024. 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 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 27 January 2021.

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 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 and 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.

Linked Reports, Appendices and Background Documents

Appendices

- Appendix 1 Budget Consultation 2020

Linked Report

- None

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

- None

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