


<b>Cabinet</b>	 <b>TOWER HAMLETS</b>
6 January 2021	
<b>Report of:</b> Kevin Bartle, Interim Corporate Director - Resources (Section 151 Officer)	<b>Classification:</b> Unrestricted
<b>The Council's 2021-22 Budget Report and Medium Term Financial Strategy 2021-24</b>	

<b>Lead Member</b>	<b>Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector</b>
<b>Originating Officer(s)</b>	Kevin Bartle, Interim Corporate Director - Resources
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	November 2020
<b>Reason for Key Decision</b>	To set the Council's Budget for 2021-22 and MTFS 2021-24
<b>Strategic Plan Priority / Outcome</b>	<ol style="list-style-type: none"> <li>1. People are aspirational, independent and have equal access to opportunities;</li> <li>2. A borough that our residents are proud of and love to live in;</li> <li>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</li> </ol>

## **Executive Summary**

In February 2020 the Council agreed its budget for 2020-21 and set out a Medium Term Financial Strategy (MTFS) covering the period 2020-2023. This included additional savings of £8.653m to be delivered over the extended MTFS period.

Very shortly thereafter the country was hit by the Covid-19 pandemic and the government implemented on 20 March a series of emergency measures including a lockdown. Local authorities' emergency planning procedures were invoked and new responsibilities followed including in relation to the borough's most vulnerable residents.

This crisis has had a profound impact on the Council's budget and its ability to deliver services and, as a consequence, on its financial planning assumptions. The Council welcomed the Government's pledge to provide 'whatever it takes' to cover the cost of dealing with the crisis. As a result of the pandemic, and this explicit government commitment, new areas of expenditure were required together with fundamental changes to the Council's main sources of funding; additional emergency short term funding was made available by the government alongside other measures to support the Council's cash flow. The Council's priorities were redefined by the crisis and the delivery of some proposed investments and savings were paused.

The MTFS was refreshed and extended to 2023-24; a potential budget gap of £12.9m for 2021-22 and £26.3m for 2022-23 was identified and reported to Cabinet on 29 July 2020. The national environment, both financial and in relation to the virus, continues to be subject to significant uncertainty with Brexit taking effect, the government announcing the deferral of the Fair Funding Review and the Business Rates Reset and there being potential for further waves of the virus.

Separately the Council also set out the impact of the pandemic and a resulting refreshed strategic plan through reports to Cabinet on 29 July 2020. The Council is experiencing a rise in demand and extreme pressure on services especially in mental health, social care, homelessness, unemployment, domestic abuse as well as increased levels of financial hardship, with poverty exacerbating existing inequalities. The refreshed strategic plan outlined the high-level interventions we will take as part of our response and a basis for future policy considerations. Taken together these reports informed a new direction in what is a fundamentally more challenging financial environment.

If government fails to honour its pledge to cover the cost of dealing with the pandemic then as a Council we will be in an even more difficult financial position in future years and as a result will have to make tough choices about our services. We are not complacent and will continue to fight for our fair share of funding to continue to protect the essential services needed to support residents.

Due to the significant potential budget gap for future years, this MTFS report sets out draft savings proposals for initial consideration. As previously, consultation with residents, businesses and other key stakeholders has been a feature of proposed changes and the results of the Council's 2021-22 budget consultation were considered at Cabinet on 16 December 2020.

The Council received the provisional Local Government Finance Settlement (LGFS) on 17 December. The final LGFS will be received in January and the MTFS will need to be further updated based on any changes that materialise.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note the updated draft MTFS for 2021-22 to 2023-24, taking account of draft savings and growth business cases and a revision to the income assumptions (Council Tax and Business Rates) proposed since the last MTFS report to Cabinet on 29 July 2020. If these were all agreed at the current values proposed, the estimated budget gaps before use of one-off reserves would become £7.8m (21-22), £19.1m (22-23) and £10.9m (23-24).
2. Agree the use of reserves on a one-off basis to balance the budget in 21-22 in the sum of £7.8m (£6.5m of which is the pre-planned drawdown from the Council Tax smoothing reserve) and agree a further contribution from reserves in 22-23 in the sum of £8.2m to smooth the budget deficit over the medium term.
3. Note the need to set a balanced budget for 2021-22, the aspiration to also set a balanced budget over the rest of the three year MTFS period and that prompt and decisive action is required urgently to address the challenging financial position as highlighted by the budget gaps.
4. Agree that:
  - a) further review work should continue on the draft savings proposed to date, and;
  - b) officers should continue to identify further savings opportunities for consideration to fully meet the estimated budget gap over the next three years.
5. Agree that the Council Tax rate for 2021-22 will be increased by 1.99% general rate increase and an additional 3.00% Adult Social Care precept, totalling 4.99%.
6. Agree that the Key Stage Two extension to the Free School Meals programme will be funded throughout the three years of the MTFS by £2m per annum from reserves (reserves supplemented by additional New Homes Bonus in 21-22) and continuation of the £1m per annum funding through the Public Health grant.
7. Agree the growth proposal of £771k per annum for three years' investment in additional police officers in the borough under Section 92 of the Police Act 1996 (Grant from a Local Authority) with the Mayor's Office for Policing and Crime (MOPAC) using the revised Met Partnership Plus

scheme; and,

8. Delegate authority to the Corporate Director Health, Adults and Community, in liaison with the Corporate Director Resources, to execute the necessary agreement with MOPAC and Tower Hamlets Police – Basic Command Unit for Central East.
9. Agree an average housing rent increase of 1.5% based on the September 2020 Consumer Price Index plus 1% to take effect from the first rent week of April 2021. This equates to an average rent increase of £1.23 per week for 2021-22.
10. Agree that the average weekly housing tenanted service charge will increase by 1.5% from the first rent week in April 2021. 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 £0.57.
11. Note that the Local Council Tax Reduction Scheme will remain unchanged for 2021-22.
12. Consider, scrutinise and comment on the following matters:

**The General Fund revenue budget for 2021-22 and MTFS 2021-22 to 2023-24**

The initial budget proposals and Council Tax for 2021-22 together with the MTFS set out in Appendix 1.

**Funding**

The funding available for 2021-22 and the indications and forecasts for future years as set out in Sections 3.3 and 3.5.

**Growth and Inflation**

The risks identified from the potential growth and inflation commitments arising in 2021-22 and future years as set out in Section 3.6 & Appendix 3.

**Savings**

New proposed saving items to be delivered in 2021-24 as set out in Section 3.7 and Appendix 4.

**Financial Risks and Opportunities**

The strategic budget risks and opportunities as set out in Section 3.8.

**Reserves**

The reserves policy and proposed approach to the strategic use of reserves as set out in Section 3.9 and Appendix 5.

**Schools' Funding**

The position for schools' funding including the Dedicated Schools Budget

as set out in Section 3.10.

### **Housing Revenue Account**

The proposals for Housing Rent and Tenanted Service Charge Setting 2021-22 are set out in Section 3.11.

13. To note the Equalities Impact Assessment (EIA) and specific equalities considerations as set out in Section 4.

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

- 1.1 The country, indeed the world, has experienced a period of massive turbulence; in response to the pandemic the UK government has borrowed heavily, increasing the national debt to never before seen levels in order to fund the nationwide response to the pandemic and to protect the economy in preparation for the time when the virus subsides. Alongside our key partners, Local Authorities have been at the forefront of responding to the needs of local residents, taking on new responsibilities as well as continuing to deliver a range of existing services in a situation of heightened demand. The cumulative impact of those matters requires a change in approach from that set out and agreed in February 2020 when the Council approved its budget.
- 1.2 Tower Hamlets now finds itself in a materially changed environment from that which existed in February 2020 when the budget and MTFs were approved by the Council. The priorities set out in its strategic plan were temporarily set aside in order to respond to the crisis. However, ten months further on there is a need to re-evaluate the extent to which those priorities remain relevant in the context of the continuing uncertainty associated with Covid-19 and, just as importantly, the financial position that the council now finds itself in.
- 1.3 The Council is under a legal duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities. A 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. The need to respond immediately to the pandemic and the impact that this has had on the Council's finances means that a re-evaluation of the current year's financial position is the starting point for any changes.
- 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.

- 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 2021-24 will be included in the MTFS Cabinet report on 27 January 2021.

## **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. The scale of the changes experienced mitigate against continuing on the basis agreed in February without a re-appraisal of both the financial and policy position.
- 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.
- 2.3 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 The medium term financial planning process is an essential part of the Council's resource allocation and strategic service planning framework. The 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 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.

3.1.5 In the context of uncertainty and challenges facing the Council from a number of forthcoming fundamental changes to the financial environment in which Local Authorities operate, this report provides initial draft savings proposals for consideration as part of the process that will deliver a balanced budget position over the course of the MTFS period; taking into account the views of residents, business rate payers and other interested stakeholders.

3.1.6 The main body of the report has the following sections:

- Strategic Approach (Section 3.2)
- Funding for 2021 Onwards (Section 3.3)
- Impact on Council Services (Section 3.4)
- Financial Resources (Section 3.5)
- Growth and Inflation (Section 3.6)
- Savings Proposals (Section 3.7)
- Risks and Opportunities (Section 3.8)
- Reserves (Section 3.9)
- Schools' Funding (Section 3.10)
- Housing Revenue Account (Section 3.11)
- Capital (Section 3.12)
- Treasury Management Strategy (Section 3.13)
- Timetable (Section 3.14)

- Budget Consultation and Scrutiny Process 2021-24 (Section 3.15)

3.1.7 The key planning assumptions that support the draft budget proposals are set out in the body of the report and in the attached appendices.

## 3.2 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**

<b>Priority 1:</b>	
<b>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:</b>	
<b>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:</b>	
<b>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 FUNDING FOR 2021 ONWARDS**

- 3.3.1 The last funding settlement agreed with the Government expired at the end of the 2019-20 financial year. The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020-24. However, due to the government's focus on Brexit, a one year 2020-21 Spending Round was announced in September 2019. On 25 November 2020 the Chancellor announced the Spending Review 2020, again for only one year (2021-22), this time due to the Covid-19 pandemic.
- 3.3.2 The impact of the Covid-19 pandemic has inevitably impacted on the level of resources available and shaped the government's own short-term funding priorities. This means both the relative priority of local government against other government departments such as the NHS as well as the relative resource allocations between local government services.
- 3.3.3 Previously the direction of travel for Local Authority funding has reflected a move away from direct general government support such as through Revenue Support Grant towards more targeted grant support coupled with an increased reliance on locally generated sources of income such as the Council Tax and retained Business Rate receipts.
- 3.3.4 The Local Government Secretary, Robert Jenrick, announced on 2 July a support package to help councils respond to Covid-19 and to help ensure councils' financial sustainability for the future. This included allowing councils to repay Council Tax and Business Rates deficits over a three-year period instead of in one year. The Spending Review 2020 announced on 25<sup>th</sup> November went further and announced that the government would provide funding to Local Authorities for 75% of the 2020-21 deficits (with the 25% remaining to still be repaid over three years by local authorities).
- 3.3.5 The Council's MTFs will be affected by deferral of the Fair Funding Review from April 2021 until 2022-23 at the earliest and the expected associated changes to the national Business Rates retention scheme alongside the Fair Funding Review, including proposals for a continuation of business rate pooling within London.
- 3.3.6 The legal obligation to provide the sector with a settlement to prepare a budget for next year was satisfied by the provisional Local Government Finance Settlement (LGFS) published on 17 December 2020. The assumptions in the MTFs will be revised as necessary as soon as we receive the final LGFS in January.

### **3.4 IMPACT ON COUNCIL SERVICES**

- 3.4.1 In the context of the funding challenges set out in the Medium Term Financial Strategy Refresh and 2021-22 Budget Planning report (Cabinet, 29 July 2020), it is critical that the government delivers on its “whatever it takes” pledge to cover the cost of our Covid-19 response. While we welcome government spending announcements on recovery, including support for business, training, skills and the green economy, we are keen to ensure these commitments are stood behind, and strive to ensure we are positioned to embed these proposals into our local ambition for recovery. However, if the government does not provide the funding required, we will need to make significant changes to the way the Council operates. There will be difficult choices to make including changing the way we deliver services and previous priority areas.
- 3.4.2 The majority of the Council’s costs relate to staffing and, given the scale of the challenges being faced in 2020-21 and projected for future years, it is likely that significant reductions will need to be made to the Council’s overall headcount and pay bill. The processes by which posts are identified draw upon the lessons learnt during the pandemic about which services are essential, which services are discretionary and which service delivery points are required for the future delivery of what are likely to be changed or redesigned services. The draft savings business cases include information on staffing impact and estimated numbers of full time equivalent posts affected if this can be estimated at this early stage of proposal development.

## 3.5 **FINANCIAL RESOURCES**

### **Council Tax**

- 3.5.1 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.
- 3.5.2 The Council currently can, subject to legislative constraints, increase its Council Tax rate through two mechanisms; the Adult Social Care precept and general tax rate increases. Each 1% increase in the Council Tax rate generates circa £1m per annum, which equates to approximately 20 pence per week for the average Band D property.
- 3.5.3 For the Adult Social Care (ASC) precept, the government agreed a maximum level of 2% for 2020-21 and the Council consulted on and implemented a 2% precept. The increase in Council Tax attributable to the ASC precept must be directed towards Adult Social Care pressures.
- 3.5.4 A general tax rate increase of 1.99% is assumed over all years of the MTFs as well as a 3% ASC precept for 2021-22 only. This 4.99% increase in the Council Tax rate equates to approximately £1.00 per week for the average Band D property.
- 3.5.5 The Spending Review 2020 confirmed the referendum level of 2% for general tax rate increases and permitted Councils to add an ASC precept of up to 3%.

The government assumes in the Core Spending Power calculation that Councils will increase Council Tax at the maximum allowed levels. If the Council, therefore, did not implement at the maximum level, then its spending power to provide services would be reduced going forward with no funding from government to mitigate this (and therefore be making higher savings than we otherwise would have done).

3.5.6 Currently Tower Hamlets has the seventh lowest Council Tax rate in London. It is likely that even after implementing the proposed increases, the Council will continue to have one of the lowest Council Tax rates across the 33 London Boroughs.

3.5.7 The borough has seen increases in the number of new homes over the last few years, however the Covid-19 pandemic has had a material impact on the level of income received from this source; the virus has impacted the number of people in work or receiving low pay and as a consequence increased significantly those claiming benefits, including through the Local Council Tax Reduction Scheme (LCTRS). There has also been a drop in the collection rate as residents have been affected by Covid-19 on their income levels.

3.5.8 The MTFS has, in recent years, assumed a 97.5% collection rate, however to take account of the economic impact of Covid-19 this assumption has been reduced to 96% for 2021-22 only in the MTFS as demonstrated in the table below:

**Table 3 – Council Tax Current Assumptions**

	2021-22	2022-23	2023-24
Council Tax increases	4.99%	1.99%	1.99%
Tax Base increases	4.5%	3.0%	3.0%
Collection Rates	96.0%	97.5%	97.5%

3.5.9 The Council Tax Collection Fund deficit in 2020-21 can now be repaid over the three-year period 2021-24. The level of this deficit (currently estimated in the region of £4.4m for the LBTH share) from slower than anticipated growth, reduction in the collection rate and increased cost of the LCTRS will vary depending on the ongoing level of the pandemic and its economic impact. The Spending Review 2020 announced that the government will fund 75% of the 2020-21 deficit and the MTFS has, therefore, been updated to reflect this as well as the spreading of the 25% remaining deficit repayment over the three-year period 2021-24.

### **Local Council Tax Reduction Scheme (LCTRS) 2021-22**

3.5.10 In February 2020, the Council agreed that there would be no changes to the current Local Council Tax Reduction Scheme (LCTRS) for 2020-21. Since that time, and as a result of the Covid-19 pandemic, the cost of the scheme has risen from £26.7m in 2019-20 to circa £31.8m in 2020-21.

3.5.11 The current LCTRS scheme remains amongst the most generous in the UK protecting Tower Hamlets residents on low incomes. Those on the lowest income are able to receive 100% relief and pay no Council Tax. The Covid-19 pandemic has seen a significant shift from those paying Council Tax towards those being in receipt of the LCTRS. This represents a significant risk to the Council's financial stability as income to the Council falls and demand for services increases.

3.5.12 Each year, the council is required to consider whether it wishes to change its Local Council Tax Reduction Scheme. Any changes to the scheme require a full public consultation and impact analysis.

3.5.13 It is recommended that the current Local Council Tax Reduction Scheme should remain unchanged for 2021-22. 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.

### **Business Rates Retention Scheme**

3.5.14 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 75% Business Rates pilot would end in March 2020.

3.5.15 However, the Leaders of all London Councils together with the Greater London Authority (GLA) agreed to continue with the London wide pooling arrangement for 2020-21 permissible under the original business rate retention scheme and have now agreed to continue this in 2021-22. This allows for the offsetting of individual authorities' top-up and tariff payments in the pool.

3.5.16 The Covid-19 pandemic has significantly impacted the business rates income for the Council creating a 2020-21 Business Rates Collection Fund deficit which will be required to be repaid over the period 2021-24. The 2020-21 deficit (currently estimated in the region of £10.2m for the Council's share) has been caused by revaluations, other changes to the rating list and a reduction in collection rates. The level of the deficit will continue to be affected by the current poor economic conditions, primarily due to the pandemic, and therefore the MTFs has been updated in this iteration of the budget process and will be further updated in the next report to Cabinet at the end of January to reflect the latest estimates for the 2020-21 deficit. ***It should be emphasised that the forecast deficit could quite easily deteriorate further thus impacting on the budget gaps highlighted in this report.***

3.5.17 The Spending Review 2020 announced that the government will fund 75% of the 2020-21 deficit and the MTFs has, therefore, been updated to reflect this as well as the spreading of the 25% remaining deficit repayment over the three-year period 2021-24. The government has not yet announced the details of how this funding support will be allocated, so changes could also be required once these details are known.

### **Collection Fund**

3.5.18 Due to the effect of the Covid-19 pandemic on the Collection Fund deficits for 2020-21, the government announced that 2020-21 deficits can be repaid over the three-year period 2021-24. This is a further spread of the impact over more years than the normal requirements for repayment periods. Furthermore the Spending Review 2020 announced that the government will fund 75% of the 2020-21 deficit.

3.5.19 There is an accumulated Business Rates Collection Fund deficit assumed in the MTFs to the end of 2019-20, of which the estimated Council share is £22.5m, and the Council will repay this in 2020-21 from reserves. The Collection Fund is currently under audit and therefore the estimated accumulated deficit to the end of 2019-20 may be subject to change. The Council share of the 2020-21 Business Rates deficit is currently forecast to be £10.2m, of which 25% will need to be repaid over the three-year period 2021-24.

3.5.20 The Council is receiving S31 grant monies in 2020-21 for business rates reliefs, relating to rates reductions given to businesses in 2020-21, but the deficit in the Collection Fund impacts the following year (2021-22). The MTFs assumes, therefore, that £28.4m will be moved into an earmarked reserve in 2020-21 and held over to allow payment of a contribution to the Collection Fund deficit in 2021-22.

3.5.21 There is an accumulated Council Tax Collection Fund deficit to the end of 2019-20 assumed in the MTFs, of which the estimated Council share is £7.9m, and the Council will repay this in 2021-22 (£6.5m will be funded through the Council's smoothing reserve). The Council share of the 2020-21 Council Tax deficit is currently forecast to be £4.4m, of which 25% will need to be repaid over the three year period 2021-24.

### **Core Grants**

3.5.22 The Council is in receipt of several core grants to support specific service priorities. Given the uncertainty of the Fair Funding review, assumptions have needed to be made in respect of most grants after the announced 2020-21 level. There are risks associated with this approach as the government may decide to change its priorities and reduce or cease funding through a grant, or reallocate service specific grants into more general funding with a changed distribution. Current assumptions for each of these are summarised in the table below:

**Table 3 – Summary Core Grants 2021-24**

<b>Core Grants</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>	<b>2023-24 £m</b>
Revenue Support Grant	34.010	34.732	35.427
New Homes Bonus	17.646	3.812	-
Improved Better Care Fund	16.316	16.644	16.976
Social Care Grant	12.341	9.508	9.698
Public Health Grant	35.371	35.902	36.620
Rough Sleeping Initiative	0.636	0.646	0.658
Flexible Homelessness Support & Homelessness Reduction	5.106	5.182	5.286
<b>Total Core Grants</b>	<b>121.426</b>	<b>106.426</b>	<b>104.665</b>
Transfer of 2021-22 additional New Homes Bonus to reserves	(7.654)	-	-
<b>Total Core Grants applied to revenue</b>	<b>113.772</b>	<b>106.426</b>	<b>104.665</b>

### **Revenue Support Grant**

3.5.23 Revenue Support Grant (RSG) is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement using the relevant funding formulae; the revision of these formulae is the focus of the (deferred) Fair Funding review process.

3.5.24 The Council's Revenue Support Grant (RSG) decreased from circa £54m in 2017-18 to circa £34m in 2020-21.

### **New Homes Bonus**

3.5.25 The New Homes Bonus (NHB) scheme was introduced in 2011-12 to help tackle the national housing shortage. The scheme was designed to reward

those authorities that increased their housing stock either through new build or by bringing empty properties back into use.

3.5.26 Tower Hamlets is a high growth area and has attracted one of the highest levels of NHB in the country.

3.5.27 The Council has reduced its reliance on NHB as a funding source in support of its general revenue budget since 2016-17. From the £22.0m NHB the Council expects to receive in 2020-21, £6.0m will be used to support the revenue budget.

3.5.28 As reported to July Cabinet, in the light of the financial situation that the Council now finds itself in, the Section 151 Officer considered the previous approach set out in the MTFS i.e. to only allocate £3.2m NHB to support the revenue budget in 2021-22 and 2022-23 and concluded that the approach had to be revisited. The previous approach of placing the balance into an earmarked reserve was appropriate prior to the impact of Covid-19 but, given that it is a non-ringfenced grant and the acute pressures now being seen, the MTFS was then updated to assume that the full grant at the time of £10.0m (2021-22) and £3.8m (2022-23) is allocated to the revenue budget in 2021-22 and 2022-23.

3.5.29 The Spending Review 2020 announced one further year of NHB for 2021-22 and the provisional LGFS estimates the Tower Hamlets allocation as £7.7m. Given the uncertainty of the amount to be received, the MTFS assumes, prudently, that this will initially be transferred to reserves. The NHB (including all legacy payments) is expected to come to an end in 2023-24 and although it is expected that decreases in NHB will be re-allocated nationally into other funding streams such as the Revenue Support Grant or other core grants, this will clearly need to be kept under review.

3.5.30 Given the above, it is recommended that the NHB reserve is utilised to fund the Key Stage Two extension of Free School Meals until the end of 2023-24 at an estimated cost of £2m per annum (in addition to the £1m per annum funding from the Public Health grant).

### **Improved Better Care Fund**

3.5.31 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.

3.5.32 In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities to deal with the growing health and social care pressures during the period 2017-20. The Spending Rounds for 2019 and 2020 have extended this grant for one year at a time.

### **Social Care Grant**

3.5.33 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 was used to distribute this Social Care Support Grant funding.

3.5.34 The final 2020-21 LGFS confirmed that the previous Social Care Support Grant allocations will be rolled into a new Social Care Grant for 2020-21. The Social Care Support Grant allocation for Tower Hamlets of £2.499m was used to support the revenue budget funding for demographic and inflationary growth for the directorates. The grant was increased in 2020-21 to £9.367m and is assumed in the MTFs to be ongoing grant funding. This increase of £6.868m is proposed to be allocated 50% to supporting the revenue budget funding for demographic and inflationary growth for the directorates, and the remaining 50% directly allocated as budget to the services (75% to adult social care £2.575m and 25% to children's social care £0.858m).

3.5.35 The Spending Review 2020 announced a further one-off increase to the Social Care Support Grant for 2021-22 and the provisional LGFS allocation shows this increase as £2.974m, increasing the total grant value for 2021-22 to £12.341m. It is proposed that this one-off increase is allocated in full directly as budget to the services (75% to adult social care, £2.230m, and 25% to children's social care, £0.744m).

### Public Health Grant

3.5.36 The Public Health Grant is ring-fenced for use on public health functions exclusively and covers all ages. The current estimate of the Public Health grant allocation for 2021-22 is £35.4m.

3.5.37 Savings of £1.606m from current expenditure within the grant across 2021-22 and 2022-23 have been identified through the development of the MTFs that has resulted in Public Health Grant being available to fund existing public health services funded by the general fund. The profile of the savings are as follows:

Savings Title	Reference	2021-22	2022-23	2023-24	Total
		£000's	£000's	£000's	£000's
Substance Misuse Service reductions	SAV / HAC 008 / 21-22	(450)	-	-	(450)
Mainstreaming Communities Driving Change	SAV / HAC 009 / 21-22	(371)	(371)	-	(742)
Adult healthy lives services locality based model	SAV / HAC 010 / 21-22	(70)	(72)	-	(142)
0-5 Specialist Community Public Health Nursing (Health Visiting) – in contract efficiency saving	SAV / HAC 011 / 21-22	(100)	-	-	(100)
Young People's Wellbeing Service – recommissioning savings	SAV / HAC 012 / 21-22	(18)	(52)	-	(70)



Health E1 Homeless Drug and Alcohol Service (RHDAS)	SAV / HAC 015 / 21-22	(102)	-	-	(102)
<b>Total</b>		<b>(1,111)</b>	<b>(495)</b>	-	<b>(1,606)</b>

3.5.38 Any services currently funded by the general fund that are being considered to be funded by the public health grant should be signed off by the Director of Public Health and meet the broad public health grant conditions and the public aspirations for a healthier Tower Hamlets. A review is in progress to finalise the services which will now be funded through the Public Health Grant instead of the General Fund and this list will be included in the 27 January report to Cabinet.

### **Rough Sleeping Initiative**

3.5.39 The Rough Sleeping Initiative fund was created to provide local support for those living on the streets. This was first announced in March 2018 to make an immediate impact on the rising levels of rough sleeping. This funding combined the Rough Sleeping Initiative and Rapid Rehousing Pathway into a single, streamlined funding programme.

3.5.40 The MTFs assumes that the Council will receive an allocation of £0.636m in 2021-22 with the funding allocated directly to the relevant service.

### **Flexible Homelessness Support & Homelessness Reduction**

3.5.41 This grant is designed to transform the way councils fund homelessness services to provide greater flexibility to prioritise the prevention of homelessness. The grant empowers the Council to support the full range of homelessness services.

3.5.42 The MTFs assumes that the Council will receive an allocation of £5.106m in 2021-22 with the funding allocated directly to the relevant service.

### **Covid-19 Support Grants**

3.5.43 In response to the Covid-19 pandemic, the government has announced circa £62.6m in grants for Council expenditure and reduced income and a further circa £194.3m for passported business rates (NNDR) relief and passported grants to businesses.

3.5.44 The c£62.6m funding includes the following grants:

- Non-ringfenced Covid-19 emergency grant (£38.1m)
- Council Tax Hardship Fund (£4.4m)
- Test, Track and Contain Grants (£3.6m)
- Next Steps Accommodation Programmes (3.3m)
- Contain Outbreak Management Fund (£2.7m)
- Infection Control (£2.0m for care homes support)

- 3.5.45 The majority of the funding is intended for 2020-21 and it is forecast that based on funding announced to date that the funds available for 2020-21 will not fully cover the 2020-21 costs and reduced income from the Covid-19 pandemic. This would impact the MTFs for Collection Fund deficits requiring to be repaid in 2021-24 and reserves balances for any in-year 2020-21 overspend created. The MTFs will be reviewed and updated based on the latest information available for the later MTFs report to Cabinet in January.
- 3.5.46 Also included in the c£62.6m funding is an estimated £6m which the Council is able to claim for reimbursement of reduced income for specified eligible Sales, Fees & Charges. For income that is eligible, the government will reimburse 75% of the reduced income, after the first budgeted 5% (therefore circa 70% of the lost income). The main areas covered by this reimbursement are planning services, contract services and parking charges. Collection Fund deficits (Council Tax and Business Rates income), treasury investment income (reduced through the Covid-19 economic impact on interest rates) and income areas in the Housing Revenue Account (HRA) are the main areas of reduced income for the Council that are not eligible for reimbursement through this claim.

## 3.6 GROWTH AND INFLATION

- 3.6.1 A key part of the annual budget setting process is the review of growth pressures across the MTFs period arising from demographic changes, new requirements or responsibilities or inflationary pressures.
- 3.6.2 In previous budget setting processes, the Council approved amounts for unavoidable growth and estimated inflation over the period to 2022-23. These have been reviewed as part of updating the MTFs for the period until 2024 and in the context of the overall funding pressures and in particular as a result of the impact of Covid-19.
- 3.6.3 In line with this review methodology, the previously agreed 2020-21 growth of £0.475m for Early Help (GRO/CHI 006/19-20) has been reversed in the updated MTFs. Also previously agreed demographic growth funding for adult social care in 2021-22 and 2022-23 has been revised downwards to take account of a range of demand management measures that include more effective price controls to mitigate pressures.
- 3.6.4 The proposed new growth and inflation items are listed in Appendix 3 New Growth Proposals 2021-22 to 2023-24. These include growth for pay inflation of £3.1m, non-pay inflation of £3.4m, expected changes to core grants, increases in statutory levies and realignment of central support service recharges.
- 3.6.5 The Council remains part of the National Joint Council for Local Government Services for negotiating pay award arrangements. The 2020-21 pay inflation was agreed nationally at 2.75%. The Spending Review 2020 has indicated that the government will not provide funding for a 2021-22 pay increase, except for an increase for those under £24,000 per annum of at least £250, however the

pay award agreement may agree an increase (which the Council would need to provide funding for). The pay inflation assumption, therefore, has remained unchanged and this position can be re-visited once final decisions are made about any potential local pay award.

3.6.6 Growth of £4.6m is proposed to align the Housing Benefit budget for the cost pressure created by rental costs above the level of housing subsidy received by the Council. This mainly relates to temporary accommodation which can cost circa £500 per week compared to housing subsidy of circa £240 per week.

3.6.7 The Council is impacted by high rental costs due to being an inner London borough and this has been further exacerbated by the Covid-19 pandemic increasing demand and its economic impact on the level of housing benefit claims. The situation is being kept under constant review as the economic impact of the pandemic and the government response to local government funding requirements unfolds. At the time of writing, the total shortfall in government housing benefit funding is estimated at circa £8.9m. Potential funding sources to support the £4.3m increase due to Covid-19 since 2019-20 could include the non-ringfenced Covid-19 emergency grant and specific government grants for homelessness and rough sleeping.

3.6.8 The Place directorate has submitted a savings proposal (reference SAV / PLA 018 / 21-22) for a transformational review of the homelessness service which would decrease Housing Benefits pressures through alternative accommodation provision.

3.6.9 Growth bids have also been submitted for:

- Mulberry Place short term lease – rental increase of £1.2m per annum for 2021-22 and 2022-23 prior to the move to the new Civic Centre at Whitechapel.
- Partnership Taskforce policing – £0.771m permanent growth to continue the extra policing currently funded through Mayoral Priority Growth reserves. The Council currently has a three year agreement under Section 92 of the Police Act 1996 (Grant from a Local Authority) with the Mayor's Office for Policing and Crime (MOPAC) using the Met Patrol Plus scheme to fund additional police officers. This arrangement ends in March 2021 and growth is requested to secure continuation of funding for a resource of two sergeants and 10 police constables. The Mayor in Cabinet is recommended to:
  - agree the growth proposal of £0.771m per annum for three years' investment in additional police officers in the borough under Section 92 of the Police Act 1996 (Grant from a Local Authority) with the Mayor's Office for Policing and Crime (MOPAC) using the revised Met Partnership Plus scheme; and
  - delegate authority to the CD Health, Adults and Community, in liaison with the CD Resources, to execute the necessary agreement with MOPAC and Tower Hamlets Police – Basic Command Unit for Central East.

- Anti-social behaviour (ASB) Neighbourhood Scheme - £0.2m permanent growth to continue this pilot currently funded through Mayoral Priority Growth reserves.
- Capital borrowing - £0.109m (21-22) and £1.271m (22-23) to fund an increase in borrowing costs to support the capital programme.

### 3.7 SAVINGS PROPOSALS

#### **Savings Proposals – General Fund**

- 3.7.1 The Council has previously approved savings to ensure that a balanced budget was in place for the MTFS three year period. However, as part of 2020-23 budget setting process the original budget assumptions were reviewed and updated, largely to take account of the revised analysis of demographic growth requirements and following a re-assessment of the expected deliverability and timescales for agreed savings. This resulted in the reprofiling of £5.4m of savings planned for the 2020-21 financial year to be re-profiled into later financial years. This was mainly to allow for planned contractual efficiencies to be delivered in line with procurement timescales, greater commercialisation opportunities to be developed and information technology improvements to become embedded.
- 3.7.2 Council have previously approved savings totalling £13.5m (2021-22) and £7.1m (2022-23). However, with the latest estimated significant budget gaps in both 2022-23 and 2023-24, there is a need to identify significant additional savings for these years and to ensure all approved savings remain deliverable. Detailed consultation and impact assessments will continue to be undertaken as the proposals agreed previously are taken through to implementation.
- 3.7.3 New proposed General Fund savings have been identified for consideration for 2021-22 as well as future years. The high level summary of the proposed saving areas is detailed in Appendix 4 New Savings Proposals 2021-22 to 2023-24. It should be noted that some of these savings proposals include different options for consideration and have inter-dependencies with other existing and new savings proposals which will need to be reviewed to ensure no double counting as the proposals are developed further.
- 3.7.4 The Programme Management Office has been funded in part through the planned use of reserves to fund short-term priority investments agreed in earlier budget rounds. The savings proposal for this area (SAV / RES007 / 21-22) would cease the use of non-recurrent reserves as well as producing general fund savings of £0.2m.

#### **Prior year savings to be written off - £3.217m**

- 3.7.5 Following a robust review, the following previously agreed savings are considered to be no longer deliverable and it is proposed in this budget that these are now formally written off: -

- Appropriation of HRA Shops to GF ref: SAV/PLA002/19-20 £0.8m
- Review of Printing/ Scanning/ Use of Multi-Functional Devices (MFD's) ref: ALL001/17-18 £0.979m
- Debt Management & Income Optimisation ref: ALL003/17-18 £1.438m

### **Re-profiled savings to later financial year - £1.05m**

3.7.6 The following previously agreed savings are no longer deliverable within the originally planned timescales and it is proposed in this budget to re-profile these to 2023-24;

- Income Through Housing Companies ref: SAV/RES08/18-19 £0.25m
- THH - Potential support service Savings ref: SAV/RES09/18-19 £0.1m
- Human Resources ref: RES001/17-18 £0.7m

### **Re-profiled saving brought forward - £0.02m**

3.7.7 Removal of seasonal bedding - £0.02m of previously agreed Review of Parks saving (SAV / PLA005 / 20-21) has been brought forward from 2022-23 to 2021-22 to align with earlier delivery.

### **Income generation through fees and charges re-profiled £0.235m**

3.7.8 The 2020-21 budget round agreed income generation through fees and charges for 2021-22 (£0.545m including agreed updates to planning fees) and 2022-23 (£0.420m). The majority of discretionary fees and charges are raised annually by a minimum of inflation (CPI or RPI). Both of these inflation measures have been depressed recently due to the economic impact of Covid-19. For example, CPI inflation is around 0.7% compared to 1.7% in August 2019 and RPI inflation is around 1.3% compared to 2.6% in August 2019. The current fees and charges income generation assumption for 2021-22 has therefore been reviewed and £0.235m has been re-profiled from 2021-22 to 2023-24.

3.7.9 A separate Fees and Charges report is presented to Cabinet for approval alongside this MTFS report on 6 January 2021.

### **Savings Proposals – Housing Revenue Account (HRA)**

3.7.10 Savings are being identified for consideration in relation to the HRA and these will be included in the 27 January Cabinet report.

## **3.8 RISKS AND OPPORTUNITIES**

3.8.1 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.

- 3.8.2 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 2020-21, 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.
- 3.8.3 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**

### **Covid-19 Pandemic**

- Public health and wellbeing – both residents and staff
- Increase in service demand – especially mental health, social care, homelessness, unemployment and domestic abuse
- Increased levels of financial hardship, with poverty exacerbating existing inequalities
- Economic impact on Council funding
  - Decreased business rates and council tax income
  - Decreased sales, fees and charges income
  - Decreased treasury investments income due to lower interest rates

### **Impact of decision to leave European Union (Brexit)**

- 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.
- 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.

## **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 2022-23 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 three 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. Tower Hamlets should also receive more resources going forward, if local growth continues.
  - The forecast reduction in business rates income due to the reset for the Council in 2022-23 onwards has been factored into our planning.
- **Fair Funding Review** - The government has committed to reforming the way local authorities are funded. Its Fair Funding Review aimed to introduce a new funding formula from April 2021, now delayed to at least April 2022. Given the impact of the pandemic, it may bring into question whether the review will happen at all. Nevertheless, 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.

### **General Economic Factors**

- Economic growth slows down or disappears
- A general reduction in debt recovery levels
- Reductions in grant and third party funding
- Reductions in the level of income generated through fees and charges
- Increase in fraud

### **Increases in Service Demand**

- Adult Social Care homecare and residential care services
- 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 (including homelessness and temporary accommodation)
- General demographic trends (including a rising and 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.

## **3.9 RESERVES**

3.9.1 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.

3.9.2 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.

3.9.3 There are two main types of reserves:

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

3.9.4 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.

3.9.5 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 draft Reserves Policy is included in Appendix 5.



3.9.6 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.

3.9.7 The Council also relies on interest earned through holding cash and investment balances to support its general spending plans.

3.9.8 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.

3.9.9 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. collection fund surpluses or deficits, 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.

3.9.10 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.

3.9.11 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.

### 3.10 **SCHOOLS' FUNDING**

3.10.1 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 Academies to pay them directly, based on the same

formula as the funding allocations made to Tower Hamlets maintained schools. This leaves a net LA cash budget.

- 3.10.2 The DSG is allocated through four blocks: The Schools Block, Central School Services Block, High Needs Block and Early Years Block. All elements of the DSG are calculated based on a national funding formula, however these are calculated using historic funding as a baseline.
- 3.10.3 Whilst the Schools Block allocation for 2021-22 is based on allocating a school level budget calculation, the method of distribution to schools is still through a local formula methodology.
- 3.10.4 In July 2020 the ESFA published provisional allocations for 2021-22 for the Schools Block, Central Services Block and the High Needs Block. The allocations have been updated on the 17th December with the October 2020 pupil data.
- 3.10.5 The early years block is currently only an indicative allocation as this is updated post year end based on the census of January 2021 pupil numbers, with the current indicative allocation based on January 2020 numbers. The hourly rate funded which is the basis of the allocation was confirmed on the 17th December as £8.06 per hour for 3 and 4 year olds and £6.66 per hour for 2 year olds, the 2 year old rate has increased by 1.2%, whilst we have seen no increase in the 3 and 4 year old rate.
- 3.10.6 Growth in the Schools Block for 2021-22 was not included in the provisional allocations and is calculated using growing pupil numbers in Middle Super Output Areas between October 2019 and October 2020 ignoring reductions in other areas. This methodology benefits Tower Hamlets with the movement in a demand across the borough where overall pupil numbers have not changed but there is significant growth in certain local areas with decline in others. The allocation using this methodology in 2020-21 was £1.4m and the allocation for 2021-22 was confirmed on the 17th December as £0.973m.
- 3.10.7 The Schools block of the DSG has increased by 2.18% per pupil before the baselining of grants to support the costs of teachers pay and pensions which were paid separately but will be included in the final DSG allocation for 2021-22. The increase factoring in these previously separate grants is 3.61%.
- 3.10.8 The High Needs Block is funding to support costs of pupils with additional education needs, across mainstream and special schools as well as the associated support costs. The allocation of the high needs block for 2021-22 has increased by 8%, which will go some way to ease the pressure on current spend and should bring us to a position of managing the high needs block spend within the financial year. However, there continues to be an accrued deficit that will be bought forward and can, in line with government guidance, be paid back over a number of future financial years.
- 3.10.9 Significant work continues to take place to identify efficiencies in high needs provision, including remodelling of central services and review of top ups

paid to individual schools. A long term recovery plan for high needs has been reviewed and accepted by the Department for Education.

- 3.10.10 Schools Forum were requested to consider a 0.5% transfer (the maximum they have authority to approve) from Schools Block to the High Needs Block to represent the still increasing pressure from Education Health and Care plans (EHCPs) in mainstream schools. This was considered by Forum in early December and Forum agreed a transfer based on introducing a methodology for using this high needs funding to target support to inclusive schools, in turn reducing the central pressure on central provision of short term intervention funding.
- 3.10.11 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 (ESG) funding for ongoing central functions e.g. admissions and funding for historic commitments including items previously agreed locally such as combined budgets.
- 3.10.12 As part of the national funding formula the DfE are reducing the allocation within the CSSB of historic commitments and therefore the CSSB for Tower Hamlets will be decreased by £445k in relation to historic commitment for 2021-22. The element of the CSSB that funds ongoing services will also be reduced by 2.5% per pupil giving a further £60k reduction, a total of £505k or 13.7%. The allocation of CSSB announced on December 17th included an additional amount of £192k to support the extra pension costs of centrally employed teachers, this does not represent a real terms increase as the same amount was paid as a central grant in 2020-21.
- 3.10.13 In addition to the Central Schools Services Block, maintained schools can, through the Schools Forum, agree to de-delegate some of their Schools Block resources for certain specific services that schools would benefit from the economies of being managed centrally. Schools can also make contributions to support the former Education Services Grant (ESG) general duties which was removed as a separate grant in 2017. This contribution supports costs the Council is obliged to carry out as statutory duties for maintained schools, for example in relation to financial regulation, asset management, internal audit, HR and the provision of information to government departments and agencies. Schools Forum agreed that the council should model the continuation of this support when preparing School budgets at their December meeting, and will make the final decision at their meeting on January 13th 2021.
- 3.10.14 The table below sets out the latest DSG allocation over the funding blocks for 2021-22.

**Table 4 - Dedicated Schools Grant 2021-22 and Final DSG 2020-21**

Block	2021-22	2020-21	Change
	£m	£m	£m
Schools Block	278.633	264.818	13.815
CSSB	3.887	4.200	(0.313)
High Needs Block	66.018	59.676	6.342
Early Years Block	31.139	31.100	0.039
<b>Total</b>	<b>379.677</b>	<b>359.794</b>	<b>19.883</b>

Note: 2021-22 Schools Block includes the previously separately funded teacher's pay and pensions grants of £9.793m. The CSSB includes an allocation £0.192m for the same grants.

3.10.15 In addition, the Council receives, and passports fully to schools, funding for the pupil premium (£21.2m in 2020-21) and 6th form funding (£12.67m in 2020-21). Final allocations for the pupil premium will be confirmed in July 2021 and 6th form funding in March 2021.

### 3.11 HOUSING REVENUE ACCOUNT (HRA)

#### Rent Setting Summary

3.11.1 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 was 2019-20.

3.11.2 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 2021.

#### 2021-22 Rent increase

3.11.3 The current year's budget for rents is £65.497m. As a result of the rent increase and the movements in stock arising from property acquisitions and disposals (including right to buy sales), the 2021-22 budget is estimated at £66.887m. September 2020 CPI was 0.5%, therefore the average increase is 1.5% which equates to an average weekly rent increase in 2021-22 of £1.23.

#### 2021-22 Increase in Tenanted Service Charges

3.11.4 It is proposed that tenanted service charges are subject to an inflationary increase. This will lead to an average weekly increase in tenanted service

charges of approximately £0.57. It should be noted that energy charges are billed separately based on actual costs incurred.

3.11.5 The current year's budget for tenanted service charges is £5,033,000 (inclusive of the MOPAC charge that went live in November 2020). 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 2021-22 budget is estimated at £5,480,000.

### 3.12 **CAPITAL**

3.12.1 A revised three year General Fund and Housing Revenue Account Capital Programme 2020-23 was approved by Cabinet on 23 September 2020. This took into account the need to set a realistic and deliverable programme and avoid the significant over-programming and subsequent underspending against capital that has been a feature for several years. The revisions also took into account the changes in priorities that became apparent following the Covid-19 pandemic.

3.12.2 The three year Capital Programme 2021-24 will be included in the MTFS Cabinet report on 27 January 2021 and this will provide an updated assessment of the capital financing requirements and the consequent impact on the revenue budget and borrowing strategy.

3.12.3 However, it is evident at this stage that the aspirations of the Council included in the draft Capital Programme exceeded available funding and, as such, additional Council borrowing (revenue cost) would be required if key aspirations are to be met. An additional £0.1m (21-22) and £1.3m (22-23) growth budget has therefore been included in the MTFS to fund borrowing costs.

### 3.13 **TREASURY MANAGEMENT STRATEGY**

3.13.1 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.

3.13.2 The proposed prudential indicators set out in the Treasury Management Strategy will be based on the Capital Programme 2021-24.

### 3.14 TIMETABLE

3.14.1 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	
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 1 February if any material changes to budget proposals)
Review of the MTFS following final Local Government Finance Settlement	27 <sup>th</sup> January 2021 Cabinet
Approval of Capital Programme 2021-24	
Agree final budget and setting of Council Tax	By 1 <sup>st</sup> March 2021 Full Council

### 3.15 BUDGET CONSULTATION AND SCRUTINY PROCESS 2021-24

3.15.1 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.

3.15.2 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.

3.15.3 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.

3.15.4 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.

3.15.5 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.

3.15.6 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.

3.15.7 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.

3.15.8 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.

3.15.9 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.

3.15.10 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.

3.15.11 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.

3.15.12 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.

3.15.13 A detailed report of the budget consultation results provided by SMSR has been included in Appendix 6 of this report.

3.15.14 The scrutiny and consultation processes recognise that developing proposals over a three year period means that business cases will be more fully developed for proposals in the earlier years but that others will continue to be developed later on. The on-going role of the Overview and Scrutiny Committee in scrutinising developed business cases and undertaking targeted reviews in a number of key areas identified by them is key to maintaining the rigour of budget scrutiny of the Medium Term Financial Strategy (MTFS).

3.15.15 In addition to the scrutiny of relevant revenue savings and investment proposals the O&S Committee will undertake similar scrutiny of capital programme proposals. They will also have an overview of the medium term financial proposals being considered for approval by the board of Tower Hamlets Homes (THH), including proposals for rent setting and medium term savings. Similarly, the budget strategy for the Dedicated Schools Budget (DSB) which will be proposed for approval by the Cabinet, from the Schools Forum.

## **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 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 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 (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.

- 4.3 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 2021-22 to 2023-24 has identified 56 savings proposals. Equality impact assessment screenings have been completed for all proposals and it has been determined that 38 of these will require a full equality impact analysis (with mitigating actions set out against any equality risks) prior to a decision to implement being made.

Details of the proposals, including which proposal will require a full EIA, are set out below:

Savings Proposal Reference	Title	Directorate	Full Equality Impact Assessment required?
SAV / GOV 001 / 21-22	Electoral Services	Governance	Yes - the change involves a reduction in staff
SAV / GOV 002 / 21-22	Communications Service restructure	Governance	Yes - the change involves a reduction in staff
SAV / GOV 003 / 21-22	Review of Monitoring Officer service structure	Governance	No
SAV / GOV 004 / 21-22	Cancellation of subscriptions to benchmarking services	Governance	No
SAV / RES 001 / 21-22	Business Support Phase 2 – Additional efficiencies in	Resources	Yes - The proposal includes a reduction on current resources within the current

	Business Support staffing		Business Support Service
SAV / RES 002 / 21-22	Reorganisation of Executive Support – Phase 2	Resources	Yes - the change involves a reduction in and redesign of the roles staff and most staff impacted by this proposal are female.
SAV / RES 003 / 21-22	Local Presence and Idea Store Asset Strategy	Resources	Yes - the change involves direct impact on front line services available for protected groups and there will be a reduction in staff
SAV / RES 004 / 21-22	Finance, Procurement and Audit – process and system improvements	Resources	Yes - the change involves a reduction in staff
SAV / RES 005 / 21-22	IT - cancel memberships of LOTI and Gartner	Resources	No
SAV / RES 006 / 21-22	Reduction in the level of IT services	Resources	Yes - the change alters access to the service
SAV / RES 007 / 21-22	Corporate Programme Management Office (CPMO) Staffing Reduction	Resources	Yes - the change involves a reduction in staff
SAV / RES 008 / 21-22	Merging the Revenues & Benefits Services (Phase 1)	Resources	Yes - the change involves a reduction in and a redesign of the roles of staff
SAV / RES 009 / 21-22	Merging the Revenues & Benefits Services (Phase 2)	Resources	Yes - the change involves a reduction in and a redesign of the roles of staff
SAV / ALL 001 / 21-22	Transformation of Regulatory and Enforcement Functions	Cross-Directorate Health, Adults & Community and Place	Yes - the change reduces resources available to support vulnerable residents and involves changes to staffing
SAV - ALL 002 - 21-22	Workforce Optional Scheme - Flexible Retirement or Four Day Week	Corporate	Yes – there will be changes to staffing

SAV / ALL 003 / 21-22	Review of Senior Leadership Team	Corporate	Yes – the change involves a reduction in and redesign of the roles of staff
SAV / HAC 001 / 21-22	Tenant Activity Pot (TAP) activities programme	Health, Adults & Community	Yes - the change reduces resources available to support vulnerable residents and may increase loneliness and isolation amongst sheltered staff
SAV / HAC 002 / 21-22	Adults Transport Savings	Health, Adults & Community	No
SAV / HAC 003 / 21-22	Day Opportunities - day centres redesign	Health, Adults & Community	Yes - The change will reduce the in-house offer and will impact staff, service users and carers at Riverside Day Service, PD Day Opportunities and Pritchard's Road
SAV / HAC 004 / 21-22	Integrated Commissioning staffing reductions	Health, Adults & Community	No – EIA already completed
SAV / HAC 005 / 21-22	Reduction in Service, Partnership Support and Management – VAWG, Hate Crime and Community Safety Teams	Health, Adults & Community	Yes - the change involves a reduction in and a redesign of the roles of staff
SAV / HAC 006 / 21-22	Decommissioning of the Community Safety Response Team (CSRT)	Health, Adults & Community	Yes - the change reduces resources available to address inequality and support vulnerable residents (mainly BAME young men), involves direct impact on front line services and involves a reduction in staff
SAV / HAC 007 / 21-22	Decommission the Royal London Hospital Violence Reduction Project	Health, Adults & Community	Yes - the change reduces resources available to address inequality and support vulnerable residents (mainly BAME young men), involves direct impact on front line services, alters access to the service and involves a reduction in staff

SAV / HAC 008 / 21-22	Substance Misuse Service reductions	Health, Adults & Community	Yes - the change reduces resources available to address inequality and support vulnerable residents (namely female, LGBT and certain ethnic groups), involves direct impact on front line services and alters access to the service
SAV / HAC 009 / 21-22	Mainstreaming Communities Driving Change	Health, Adults & Community	Yes - the change reduces resources available to address inequality and support vulnerable residents (particularly economically deprived groups, residents from different ethnic background, with disabilities and of different genders) and access to services
SAV / HAC 010 / 21-22	Adult healthy lives services locality- based model	Health, Adults & Community	Yes - the change reduces resources available to address inequality and support vulnerable residents as smoking cessation, poor diet, low physical activity linked to most protected characteristics
SAV / HAC 011 / 21-22	Health Visiting – in contract efficiency saving	Health, Adults & Community	No
SAV / HAC 012 / 21-22	Young People’s Wellbeing Service – recommissioning savings	Health, Adults & Community	Yes - the change reduces resources available to support vulnerable residents and involve direct impact on front line services
SAV / HAC 013 / 21-22	Hostels and Substance Misuse	Health, Adults & Community	Yes –the change reduces resources available to address inequality and support vulnerable residents and alters access to the service
SAV / HAC 014 / 21-22	Review Telecare model	Health, Adults & Community	Yes - the change reduces resources available to support vulnerable residents, involves direct impact on front line services, alters access to the service and involves changes to

			staffing
SAV / HAC 015 / 21-22	Health E1 Homeless Drug and Alcohol Service (RHDAS)	Health, Adults & Community	Yes –the change reduces resources available to address inequality and support vulnerable residents and alters access to the service
SAV / CHI 001 / 21-22	Additional Integrated Early Years' Service Savings - Educational Psychology	Children & Culture	Yes - the change reduces resources available to support vulnerable residents particularly vulnerable children
SAV / CHI 002 / 21-22	Cessation of 'Free' Community Events provided for LBTH Arts Parks & Events	Children & Culture	Yes – the change includes cessation of the Mela which is a Bangladeshi cultural event and is likely to have a disproportionate impact on this ethnic group
SAV / CHI 003 / 21-22	Children's Commissioning – Contracts Review	Children & Culture	Yes – the change alters access to the service
SAV / CHI 004 / 21-22	Children's Social Care management and service review	Children & Culture	Yes – the change involves direct impact on front line services, alters access to the service and there will be changes to staffing
SAV / CHI 005 / 21-22	Youth Service Review	Children & Culture	Yes - the change reduces resources available to address inequality, involves direct impact on front line services, alters access to the service and there will be changes to staffing
SAV / CHI 006 / 21-22	Efficiencies in Commissioning for Placements	Children & Culture	Yes - the change involves direct impact on front line services and alters access to the service
SAV / CHI 007 / 21-22	Review of Education and Partnerships service	Children & Culture	Yes - the change reduces resources available to address inequality and support vulnerable residents, involves direct impact on front line services, alters eligibility and access

			to the service and there will be changes to staffing
SAV / CHI 009 / 21-22	Substitution of Dedicated Schools Grant (DSG) funding for services currently funded by General Fund	Children & Culture	No
SAV / CHI 010 / 21-22	Children's Social Care - Changes to Edge of Care Service	Children & Culture	No
SAV-ALL - 002 -21-22	Transformation of Regulatory and Enforcement Functions	Place	Yes - the change reduces resources available to support vulnerable residents and involves a reduction and a redesign of the roles of staff
SAV-PLA- 001-21-22	New unattended CCTV cameras	Place	No
SAV-PLA- 002-21-22	Change of fleet diesel supply	Place	No
SAV-PLA- 003-21-22	Environmental Service Team - increased enforcement activity to target fly tipping	Place	No
SAV-PLA- 004-21-22	Recycling Improvement and Engagement Officer Post	Place	No
SAV / PLA 005 / 21-22	Sustainable Development Team efficiencies	Place	No – post proposed to be deleted currently vacant
SAV-PLA- 006-21-22	Removal of seasonal bedding - reprofiling of existing savings Parks Review	Place	No
SAV-PLA- 007-21-22	Removal of two vacant Workshop posts	Place	No

SAV-PLA-008-21-22	Green Team deletion of Graduate post	Place	No
SAV / PLA 009 / 21-22	Transformational Review of the Homelessness Service	Place	Yes – the change involves direct impact on frontline services
SAV-PLA-010-21-22	Restructure of Directorate Management Systems (DMS) & Technical Support Team (TST)	Place	Yes - change involves a reduction in and redesign of the roles of staff
SAV / PLA 011 / 21-22	Waste Services Reorganisation	Place	Yes - change involves direct impact on frontline services and a reduction in and redesign of the roles of staff
SAV-PLA-012-21-22	Growth service rationalisation and efficiencies	Place	Yes - the change alters access to the service and a reduction in and redesign of the roles of staff
SAV-PLA-013-21-22	Employment & Skills Service transformation	Place	Yes - the change reduces resources available to support vulnerable residents, involves direct impact on front line services, alters access to the service and involves a reduction in and redesign of the roles of staff
SAV-PLA-014-21-22	Performance and Value service transformation	Place	Yes - the change involves a reduction in staff (3xFTE)
SAV-PLA-015-21-22	Reduction in Facilities Management Team & Realignment of Postal Services	Place	No – post proposed to be deleted currently vacant
SAV / PLA 016 / 21-22	New Town Hall revenue savings	Place	No

4.5 Savings lead officers and relevant Corporate Directors have the responsibility of ensuring all EIAs are undertaken at the appropriate stage and all mitigating actions are delivered in a timely manner.

**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 As this report is primarily financial in nature the comments of the Chief Finance Officer (CFO) 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 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 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.
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## **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 Draft Growth Proposals Summary
- Appendix 4 New Draft Savings Proposals Summary
- Appendix 5 Reserves Policy
- Appendix 6 Budget Consultation

### **Linked Report**

- None

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

- None

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