

**Responses from the Resources Directorate****Item 6.2 The Council's 2021-22 Budget Report and Medium-Term Financial Strategy 2021-24**

<b>Questions</b>	<b>Response</b>
Q1 The report does not make clear the impact of the large COVID deficit in 2020/21 that the Council has repeatedly advertised e.g. in its press release of 5th August 2020. See points made in 3.5.45. Why not? will the budget be updated once this is available?	The government has provided further funding since August 2020, including contributing towards the 2020-21 Collection Fund deficit for Business Rates and Council Tax, however, there remains considerable uncertainty around the pandemic with potential further waves of the virus. Some Covid extra costs and reduced income such as fees and charges are, in the main, short-term pressures which would call on reserves in year (if not funded fully by government or mitigated). The Covid effect on the 2020-21 Council Tax and Business Rates Collection Fund deficit impacts the Council over 2021-24 and this has been accounted for in the Council Tax and Business Rates income for these years in the MTFS, as well as the medium term impact of Covid on previous assumptions around collection rates, tax base growth, exemptions/discounts and rating changes.
Q2 Can the Council provide a summary of where it has made a worst-case funding assumption? e.g. New Homes Bonus ending but with no change to other grants programmes	The Council uses mid-case (prudent) estimates, including cross-checking against independent analyses of funding assumptions.
Q3 The MTFS data in the 1st column for 2020/21 of Appendix 2 does this exclude the direct impact of COVID on costs and funding? if yes, see question 1	Yes. The new 2021-24 three years budget is built from the starting point of the previously agreed 2020-21 budget.
Q7 Business rates - can we have a breakdown of the assumptions behind the fall in business rates income?	The MTFS estimates a 6% reduction in 2021-22 due to the impact of the Covid-19 pandemic. The MTFS also estimates the Council share of the 2020-21 deficit to be £10.2m (which gives £0.85m per annum to be repaid over the three years 2021-24, being 25% after the government provides funding for 75% of the deficit). The MTFS also estimates that the business rates reset will increase the tariff from £6.0m in 2021-22 to £20.6m in 2022-23 (and therefore decreases retained income in 2022-23 and ongoing).

<p>Q7 Why is the cost of the Local Council Tax Reduction Scheme not shown (or presented as a reduction in funding) given how large the number have now become? can these be added to the MTFS summary as a sub-total.</p>	<p>The Council Tax Collection Fund is affected by a combination of multiple factors including the council tax base (the number of properties adjusted for exemptions and discounts), the rate of charge per property and the collection rate. Therefore, the LCTRS as well as the other factors are all included in the modelling to estimate the Council Tax Collection Fund income figure.</p>
<p>Q8 The "Core spending power" analysis published by MHCLG on the 17th December 2020 suggests a 12% increase in funding available to LBTH in 2021/22 compared to 2015/16 (inflation has also been about 12% in that period suggesting funding has remained flat once inflation is included &amp; a per capita decrease). Does LBTH agree with this?</p>	<p>The Core Spending Power (CSP) calculation by government includes an assumption that councils will increase council tax by the maximum levels allowed by government before requiring local referendums, increasing taxation at a local level to replace funding previously funded by central government.</p> <p>The CSP does not reflect the changes to Settlement Funding Assessment made for authorities with increased Business Rates Retention arrangements.</p> <p>The CSP calculation includes the allocation of some short-term grant funding and excludes other service specific grants, which also reduces the accuracy of using CSP to demonstrate overall funding comparisons between years.</p> <p>A flat level of funding (or per capita decrease) would signify that funding has not kept pace with increasing levels of need and complexity of need such as for adult social care.</p>
<p>Q9 Please correct the error in 3.5.26 p29, TH has every year received the highest NHB in the country not one of the highest</p>	<p>In the final 2019-20 allocations, the Year 9 payment to Newham was £4.215m and Tower Hamlets was £3.812m. Therefore, excluding legacy payments, Tower Hamlets does not always receive the highest allocation in any one year.</p>
<p>Question 2. How has the Disabled Facilities Grants and Care and Support Specialised Housing Fund been incorporated in the MTF?</p>	<p>These funds are both for capital spend. The Council's capital programme takes account of the Disabled Facilities Grant. The Care and Support Specialised Housing Fund has been managed for London by the Greater London Authority (GLA).</p>
<p>Question 4. Section 3.5.43 Covid-19 Support Grants - What is the forecasted overspend broken down over the below identified areas of the non-ring fenced Covid-19 emergency grant and could</p>	<p>The Covid-19 pandemic situation is still changing and therefore the full impact of costs and reduced income are not known at this time, and further new tranches of funding may be announced. MHCLG</p>

<p>the public health grant be earmarked to include the shortfall forecasted?  Non-ringfenced Covid-19 emergency grant (£38.1m);  Test, Track and Contain Grants (£3.6m);  Contain Outbreak Management Fund (£2.7m);  Council Tax Hardship Fund (£4.4m);  Next Steps Accommodation Programmes (3.3m);  Infection Control (£2.0m for care homes support)</p>	<p>collects national information on costs and reduced income from local authorities and it is hoped that the government will fully recompense local authorities for the financial impact of Covid-19. The non-ringfenced Covid-19 emergency grant is expected to be fully allocated, as are the Test, Track and Contain Grants, Contain Outbreak Management Fund and Infection Control.  The Council Tax Hardship Fund is insufficient to meet the increased cost of the Local Council Tax Reduction Scheme (LCTRS) (which has risen from £26.7m in 2019-20 to an estimated £31.8m in 2020-21). The LCTRS costs are taken account of as part of the Council Tax Collection Fund income assumptions for 2021-24 in the MTFS.  Next Steps Accommodation – additional Covid related rough sleepers spend of £3.4m is forecast. This fully utilises the £820k Next Steps Accommodation Programme (Short Term) grant and the £13k Rough Sleepers Grant. The remaining £2.6m pressure would need to be funded through the non-ringfenced emergency grant and/or an amount of the £2.5m Next Steps Accommodation Programme (Long Term) grant (which is intended for costs incurred from 2020-21 to 2023-24).</p>
<p>Question 5 - What are the risks of Capital borrowing - £0.109m (21-22) and £1.271m (22-23) to fund an increase in borrowing costs to support the capital programme? And in the 27th January cabinet meeting will detail of the risk mitigation be included in the report?</p>	<p>There is a risk related to borrowing costs not being met. This risk is mitigated through the fact the council has built in necessary budgets relating to borrowing costs within medium term financial plans. There is also a risk related to timing of borrowing which could impact the associated interest rates of borrowing. This risk is mitigated through plans within the treasury management strategy.</p>
<p>Question 10. Why is the cabinet being asked to agree the budget note on the Housing revenue Account (HRA) Rent Setting Summary while the three-year Capital Programme 2021-24 will be included in the MTFS Cabinet report on 27 January 2021?</p>	<p>HRA rental income funds revenue expenditure (as well as the borrowing cost of capital expenditure) and forms an integral part of the HRA budget and business plan (and therefore earlier agreement of the inflationary increase is good practice to allow the finalisation of the HRA budget).</p>
<p>Question 11. What are the "key aspirations" which require a Capital Programme additional Council borrowing (revenue cost)</p>	<p>The increased borrowing requirement has resulted from the council's commitment to deliver a new school for George Green on</p>

<p>of £0.1m (21-22) and £1.3m (22-23) so that a growth budget has been included in the MTFS to fund borrowing costs.</p>	<p>its existing site and the need to fund an annual rolling programme to ensure that the council's assets are maintained to avoid deterioration, to address ongoing health and safety requirements and meet statutory duties.</p>
<p>Question 12. The LGA has stated "that the Government should match the growth in public health grant to growth in overall NHS funding under the Long-Term Plan. This means the public health grant would have to increase to at least £3.9 billion by 2024/25." Has the council factored in that there could be growth to the public health fund and if so, which services could be reviewed so as to minimise cuts?</p>	<p>The MTFS estimates that the PH grant will increase from £35.4m (2021-22) to £35.9m (2022-23) and to £36.6m (2023-24). The 2021-22 allocation for the Council has not been confirmed to date and Public Health would need to fund inflationary growth in staffing and commissioned services costs before consideration of allocating funds to new services.</p>
<p>Question 13 - Could you confirm the amount of Improved Better Care Fund for 2021-22 in 6.2.3A Appendix 3 - Draft New Growth Proposals Summary?</p>	<p>The MTFS estimates an Improved Better Care Fund allocation of £16.316m for 2021-22.</p>
<p>6.2.2 Appendix 2 - Medium Term Financial Strategy 2020-2024 Detail by Service Area, item 6.2 Q4 Can we add a 2019/20 summary column to Appendix 2 so that we can see the progression over time as well as a have a year for comparison not affected by COVID? I have not been able to find 'final' 2019/20 results in an MTFS format anywhere</p>	<p>The 2021-24 MTFS Appendix 2 shows budget movements from the current 2020-21 budgets to demonstrate the impact of previously agreed and new proposed growth and savings for the next three years on the current budgets for each directorate. The current budgets include target adjustments (budget movements between directorates) during the year, such as for centralisation of support services, and therefore a comparison of directorate budgets with 2019-20 would be affected by these internal changes and not reflect a comparison on the same bases. Please refer to the response to Q1 of Item 6.2 above regarding the impact of Covid on in-year short-term financial pressures versus medium term financial strategy budgeting.</p>
<p>Q5 Inflation - CPIH is currently 0.6% as at November 2020 versus 1.5% a year ago but the inflation assumptions have not changed and remain at £6.5 million for 2021/22. The inflation budget for 2020/21 was £7.5 million but inflation fell in 2020/21 (MTFS now says £3,669). Can we have some analysis confirming the benefit in 2020 from CPI falling and the impact on the MTFS and what</p>	<p>Regarding pay inflation, 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). Regarding non-pay inflation, individual contracts will have inflation</p>

<p>this means for 2021/22?</p>	<p>clauses within them which state what inflation measure (and which reference month is used for this) or other measure (e.g. London Living Wage for homecare) or fixed percentage or fixed amount the contract value will be increased by. Therefore, a short-term decrease in CPI/RPI may not decrease the contractual inflation requirement.</p>
<p>Q6 3.6.5 salary inflation. Can we have a summary for the last 3 years + plus 2021/22 of agreed salary increases versus CPIH inflation - so that we can see how Council staff pay has changed relative to inflation</p>	<p>2018-19 Non-teachers' pay award average increase = 3.06% 2018-19 CPIH inflation at September 2018 = 2.2%</p> <p>2019-20 Non-teachers' pay award average increase = 3.75% 2019-20 CPIH inflation at September 2019 = 1.7%</p> <p>2020-21 Non-teachers' pay award average increase = 2.75% 2020-21 CPIH inflation at September 2020 = 0.7%</p> <p>2021-22 Non-teachers' pay award is not yet agreed.</p>
<p><b><u>Appendix 4 - Savings proposals 21/22 to 23/24</u></b></p>	
<p>SAV /RES /007 - What are the council's Change programmes?</p>	<p>The council currently has three corporate change programmes which are:</p> <ul style="list-style-type: none"> <li>• Frontline Services- focussed on modernising the way we deliver services to the community and how people can access them. This includes putting more services online whilst ensuring that those who are digitally excluded are effectively supported to access services, as well as changing the way we deliver to maximise efficiency and improve outcomes.</li> <li>• Support Services- focussed on improving and streamlining our back-office functions.</li> <li>• Digital- focussed on modernising our IT systems to support</li> </ul>

	improved delivery.
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