

Council 4 March 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director - Resources (Section 151 Officer)	Classification: Unrestricted
The Council's 2021-22 Budget Report and Medium Term Financial Strategy 2021-24	

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

Executive Summary

This report sets out the proposals of the Mayor in Cabinet for the Council's 2021-24 Budget and Council Tax 2021-22.

This report also includes the Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2021-22, approved for recommendation to Council by the Audit Committee on 28th January 2021.

Recommendations:

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

Revenue and Capital Medium Term Financial Plan 2021-24

1. To note a General Fund Revenue Budget of £363.141m and agree a Council Tax (Band D) of £1,113.26 (Council element) for 2021-22 as set out in the motion and Council Tax Resolution attached at Annex 1 to this report. This incorporates a 1.99% general increase on the previous year and a 3% increase in respect of the Adult Social Care 'Precept'.
2. To note the GLA precept as set out in the Council Tax Resolution is subject to the approval of the GLA Assembly at their meeting scheduled for 25 February, any changes as a result of that meeting will be made known to Council before the date of this meeting.
3. To note the Projected Movement in Reserves statement, April 2019 to March 2023 (Annex 2 Appendix 6 of the attached Cabinet report), has been updated following further assessment of the latest position.
4. To note the Capital Programme, Housing Revenue Account budget and Dedicated Schools budget.

Treasury Management Strategy Statement, Investment Strategy and Capital Strategy 2021-22

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

Section 25, Local Government Act 2003

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

Local Council Tax Reduction Scheme (LCTRS)

9. To note that the Local Council Tax Reduction Scheme will remain unchanged for 2021-22.

1. CABINET MEETING, 27 JANUARY 2021

- 1.1 The Cabinet received the report of the Corporate Director Resources on the Council's 2021-22 Budget Report and Medium Term Financial Strategy 2021-24.
- 1.2 In considering the information in the reports, the Mayor and Cabinet considered the comments of the Overview and Scrutiny Committee (OSC) on the Mayor's initial budget proposals for 2021-22.
- 1.3 The Mayor and Cabinet also considered feedback from the budget consultation process.
- 1.4 The Mayor in Cabinet also agreed to authorise the Corporate Director, Resources after consultation with the Mayor and Lead Member of Resources to make any changes required to the budget following the final Local Government Finance Settlement announcement.
- 1.5 Please note that the Projected Movement in Reserves April 2019 to March 2023 (Annex 2 Appendix 6) has been updated since Cabinet 27 January to reflect the latest position reported to Cabinet on 3 March in the Budget Monitoring Report 2020-21 Period 9.

2. SECTION 25, LOCAL GOVERNMENT ACT 2003

The robustness of the budget estimates

- 2.1 Under Section 25 of the Local Government Act 2003, the Corporate Director - Resources (the S151 officer) is required to include, in the budget report, his view of the robustness of the 2021-22 estimates. This forms part of the statutory advice from the S151 officer to the Council in addition to his advice provided throughout the year in the preparation of the budget for 2021-22.
- 2.2 The Mayor and Cabinet of the Council have been advised of the financial challenges the Council faces over the next financial year, the medium and longer term. The levels of government funding for 2021-22 have been clearly identified in this report and it must be recognised and understood that a one-year funding settlement, as is currently the case, creates a level of uncertainty and, therefore, creates a financial planning risk.
- 2.3 Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Full Council reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the S151 officer, is satisfied with the accuracy and robustness of the estimates included in this report although it must be acknowledged that the delivery in full and to time of the savings proposals included in this budget is not without risk:

- The budget proposals have been developed following guidance from the Corporate Director – Resources
- A review by the Corporate Leadership Team of proposed savings and their achievability has taken place
- The budget proposals have been consulted upon
- The Mayor and Cabinet members have reviewed and challenged all budget proposals. The Overview & Scrutiny committee have scrutinised the budget proposals
- A robust process of development and challenge with Corporate Directors and Cabinet members has taken place
- Contract inflation has been provided for
- Adequate allowance is made for pension costs with budgeted contributions in line with the recommendations from the 2019 triennial pension review
- Corporate Directors have made reasonable assumptions about growth pressures
- Mechanisms will be in place to monitor areas of expenditure and the delivery of savings
- The Council recognises that it faces an increasing financial challenge due to the combination of the COVID-19 pandemic, declining government grant, demographic trends including increasing demand and complexity and cost of that demand. The latest current year Council Revenue Budget Monitoring Report (month 9) forecasts a net overspend of £2.9m, after the use of a planned estimated c£17m of earmarked reserves. Officers are developing further mitigating measures to reduce the overspend and prevent future overspends
- The use of budget monitoring in 2020-21 to re-align budgets where required with growth provided in 2021-22 to meet identified budget pressures
- Key risks have been identified and considered
- Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the Prudential Code and Treasury Management Strategy
- The revenue effects of the capital programme are reflected in the budget with an increase of £0.1m provided for in the revenue net cost of borrowing in 2021-22 and a further £1.1m from 2022-23 onwards
- The recommendations regarding fees and charges are in line with the assumptions in the budget
- The provision for redundancy is reasonable to meet future restructuring and downsizing
- The establishment of appropriate management and monitoring arrangements for the delivery of savings programmes
- A prudent approach has been adopted on the local share of income receivable through business rates
- The budget proposals include an annual base budget contingency of £3.1m
- Reasonable assumptions have been made on the use of S106 and CIL funding. Such contributions can only be used once a process is in place for 2021-22 and beyond, to tackle underlying budget pressures and produce

balanced budgets going forward

Risk, revenue balances and earmarked reserves

- 2.4 The S151 officer is also required under the act to include, in budget reports, his view of the adequacy of the balances and reserves the budget provides for. The level of balances is examined each year along with the level of reserves in light of the risks facing the authority in the medium term.
- 2.5 Reserves play a crucial role in good public financial management. They exist so that a council can make one-off investments in service transformation for the future or to respond to one-off unexpected events or emerging needs. They are the foundation for good financial management and resilience. As one-off resources they can only be spent once.
- 2.6 Given the General Fund outturn is, as at Period 9, forecasting a net overspend of £2.9m, which already takes into account the use of some earmarked reserves in delivering services (i.e. without the use of these reserves there would be a higher forecast overspend), reserves are on a downward trend. It should be noted that, given the latest forecast financial position, earmarked General Fund reserves are consequently projected to rise; from £132m to £135m by the end of this financial year. This is, however, only a temporary rise as £28m is section 31 grant that will be required immediately in 2021-22 to offset business rates reliefs granted due to the pandemic. A like for like comparison shows a reduction of £25m year-on-year. It must be acknowledged that the proposed budgets for both 2021-22 and 2022-23 rely on drawing down reserves, in both years, to balance. This is partly why reserve balances are projected to fall. Any overspend at the year-end will also have to be financed from reserves and members should additionally note that the reserves position of the Council is uncertain pending the closure of the statements of accounts for the period 2016 – 2020.
- 2.7 This is clearly not a sustainable position for the Council in the longer term and the consequent advice from the S151 officer is for the Council to address the forecast on-going decline of its reserves during the next 2 years. The Council's finances will, therefore, need careful management and review. Continued focus will be required on keeping spend within budget, delivering savings as planned, avoiding the use of reserves to balance future budgets and on rebuilding reserves to support future investments and priorities.
- 2.8 Members of the Council are not automatically obliged to accept the advice of the S151 officer in every particular case, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from that advice.

General fund balances

- 2.9 The Council's general fund balance, subject to Audit, is forecast to be maintained at the prescribed level of £20m as at 31 March 2021.
- 2.10 Given the on-going scale of change in local government funding, and risks

facing the Council, the Council's S151 officer considers that general fund balances need to be maintained at this level, in accordance with Council policy, for the foreseeable future.

3 EQUALITIES IMPLICATIONS

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

4 OTHER STATUTORY IMPLICATIONS

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

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

b) None.

5 COMMENTS OF THE CHIEF FINANCE OFFICER

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

6 COMMENTS OF LEGAL SERVICES

6.1 The legal comments are set out in the reports which are appended and there are no additional comments to be added.

Linked Reports, Appendices and Background Documents

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

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

- Appendix A - Council Tax Resolution

Annex 2: Report of the Corporate Director Resources: The Council's 2021-22 Budget Report and Medium Term Financial Strategy 2021-24.

Appendices 1 - 9 to the above report: -

- Appendix 1A - Medium Term Financial Strategy Summary
- Appendix 1B - Medium Term Financial Strategy Detail by Service Area
- Appendix 2 - Core Spending Power
- Appendix 3 - New Growth Proposals
- Appendix 4 - New Savings Proposals
- Appendix 5 - Reserves Policy
- Appendix 6 - Projected Movement in Reserves
- Appendix 7 - Housing Revenue Account Budget Summary
- Appendix 8A - Capital Programme General Fund Summary
- Appendix 8B - Capital Approved Programme Detail
- Appendix 8C - Capital Annual Rolling Programme Detail
- Appendix 8D - Capital Invest To Save Programme Detail
- Appendix 8E - Capital Programme HRA Summary
- Appendix 8F - Capital Potential Assets For Disposal
- Appendix 9 - Budget Consultation 2021-22

Please note that Appendix 6 Projected Movement in Reserves has been updated since Cabinet 27 January to reflect the latest position reported to Cabinet on 3 March in the Budget Monitoring Report 2020-21 Period 9.

Annex 3: Report of the Corporate Director Resources to the Audit Committee 28th January 2021: Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2021-22.

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

Annex 4:

- The Overview and Scrutiny Committee's budget response
- The Executive's response to the Overview and Scrutiny Committee's report (to follow)

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

- None

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