

## **Conservative Budget Amendment 4<sup>th</sup> March 2021**

Proposed: Cllr Peter Golds

Seconded: Cllr Andrew Wood

### **Summary**

This Council notes the difficulty of budgeting at this time given the high degree of uncertainty over our future income and costs, the Chancellor Rishi Sunak as a result did delay his own budget to the 3<sup>rd</sup> March 2021 but that Tower Hamlets Council still has a legal duty to produce a balanced budget and set a Council tax increase before the new financial year starts.

It is also clear that given the high degree of uncertainty that any decisions we make now will need to be reviewed on a regular basis, budgets will need to become a quarterly rather than a purely annual process. And that many of the assumptions in this amendment will need to be reviewed in the late summer once we have greater clarity over the impact of COVID. It is entirely possible that for some of the services we propose to reprove this may only mean a delay in job losses and service cuts but we believe that would be more equitably done once we have greater certainty about the future. But once Council services and jobs are cut they are hard to restore like the Riverside day care centre as an example.

It is also clear that despite the uncertainty that we have more money for the 2021/22 financial year than we expected last December when the budget was announced even if that money won't be available in subsequent years.

The fundamental question in this budget is whether or not we cushion the impact of that uncertainty for this financial year by using our reserves and the additional one-off income we have received while we wait to see the longer-term impacts of COVID and Brexit on the economy of Tower Hamlets as well as future changes to business rates and New Homes Bonus.

Twelve Labour Councillors have submitted a request to reverse eleven of the proposed savings or to make other changes for a total impact of £4,532,500 this financial year or £4.5 million in summary. As there is a high degree of overlap between their proposals and our intentions for the sake of simplicity and unity we propose to adopt their amendments as regards the revenue budget but add two additional amendments to the capex budget. Whether this is sustainable in future years remains to be seen and does also depend on Tower Hamlets not exceeding its budget in 2021/22.

The Labour Councillors amendment proposes that the Council tax increase drops from 4.99% to 4.5%, ideally we would have ourselves aimed for a lower increase given that inflation is currently 0.9% and that the ONS suggest that the underlying growth in wages is below 3%. But a 4.5% increase is better than 4.99%. Below is a reminder of recent Council tax increases.

<b>Year</b>	<b>Inflation element</b>	<b>Adult Social Care element</b>	<b>LBTH Total Increase</b>	<b>CPI inflation</b>
2016	1.99%	2%	<b>3.99%</b>	1.0%
2017	1.99%	3%	<b>4.99%</b>	2.6%
2018	0%	2%	<b>2.00%</b>	2.3%
2019	2.4%	1%	<b>3.40%</b>	1.5%
2020	1.99%	2%	<b>3.99%</b>	1.4%
2021 budget	1.99%	3%	<b>4.99%</b>	0.9%
2021 amendment	1.5%	3%	<b>4.50%</b>	0.9%

This additional cost in 2021/22 of £4.532 million can be paid for through a combination of;

- New Homes Bonus reserves forecast to be £39.6 million at the end of March 2021.
- Of the £17.6 million in additional New Homes Bonus confirmed for 2021/22, £10 million is already committed to be used but £7.6 million was to be moved to reserves increasing those to £46 million by March 2022.
- That we received more money from government in 2020/21 than we spent on COVID or lost income to COVID - forecast to be £7.5 million as at December 2020 (Period 9).
- Additional non-ring-fenced government grants for COVID support £12.98 million due in April, a one off.
- Additional government grants for Council tax support of £4.03 million, a one off.
- However offsetting this, the financial results for the 2020/21 year are forecast to be £2.9m worse than the approved budget.

Adding together these sums equals £29.21 million (£7.6 + £7.5 + £12.98 + 4.03 less £2.9 million) although clearly there will be additional COVID costs and some lost income in 2021/22. We have not added the additional government grants like the Next Steps Accommodation Programme as we believe these will be revenue neutral. Nor additional government commitments like the extension of the Sales, Fees and Charges income support scheme (SFC Scheme) to June 2021.

We therefore believe that spending an additional £4.5 million is not imprudent as it still leaves approximately £24.7 million (£29.2m less £4.5 million) to cover funding for additional costs, lost income or to move into reserves.

However this budget amendment can only work if Tower Hamlets Council sticks to its budget in future years, continuing overspends will result in service cuts next year. The Conservative group can only make amendments on the basis that the administration stays on budget.

However we wish to add two items to the capital budget, for a capital delivery team and 8,000 additional laptops for students to catch up with lost lessons, see below.

Factors that make budgeting in Q4 of 2020/21 so difficult include;

- The impact of COVID and whether or not vaccines allow us to return to a more normal life by the summer
- The financial threat to the economy of Working from Home especially but also Brexit if they reduce the demand for office space in Tower Hamlets as this could lead to substantial reductions in business rates income
- Whether London's population growth reverses or not
- The impact in future years of the business rates system changing
- The impact of a potential fair funding review
- The impact in future years of other changes to government grants
- The future of New Homes Bonus
- The salutary experiences of Croydon Council and its finances

### Capital Budget amendment summary

- £1.6 million for 8,000 (or more) laptops by summer 2021 so that students have the means to catch up with their learning, the remaining 2,000 laptops we believe will be met by contributions from charities and additional government deliveries to supplement the almost 10,000 devices delivered already by the Department of Education.
- £1 million for a capital delivery team for 3 years to help speed up the delivery of new infrastructure, maybe through an external consultancy or via in-house contractors.

### **Laptops**

The Council has identified that pupils need another 10,000 laptops to supplement the nearly 10,000 already supplied by government and charities. It committed £50,000 to this task in February 2021 plus 250 laptops. Given that it has forecast ear-marked reserves of £134.7 million at the end of this month as well as £228 million of capital reserves we believe it can do more. We believe a budget of £200 per device in the wholesale or second-hand market would buy a good quality device sufficient to allow pupils to catch up over the next few years. It would explicitly be spent on devices to allow pupils to catch up with lost learning and is therefore aimed at secondary school and older primary school children.

The laptops to be paid for from S106 (training funds), CIL or LIF or from the £1.9 million sale of Wayside Gardens in Canary Wharf ward or the additional COVID sums from government detailed above. The Council at various times has proposed spending CIL on IT devices.

### **Capital delivery team**

Every year Tower Hamlets underspends its capital programme delaying the delivery of new homes and infrastructure.

For example this year the projected outturn on the capital programme forecasts an underspend of £63.5m on the General Fund programme and £18.6m on the Housing Revenue Account programme. In 2019/20 it was a £193 million underspend on the general fund. It was a £15.8 million underspend in 2018/19 on the general fund.

For example the new South Quay bridge is now at least three years behind schedule (and it was 21 years ago that the need for a 2<sup>nd</sup> bridge was first established), other bridges across the river Lea were never built despite getting planning permission.

But this year with inflation low, and other commercial projects on hold freeing up capacity it is an excellent time to invest in public capital projects. If inflation were to exceed 1% the value of our reserves will continue to erode as it has in the years prior to 2020 so let's accelerate the capital programme.

We propose an additional spend of £1 million to form a capital delivery team over 3 years to accelerate the delivery of projects. To be funded via Community Infrastructure Levy receipts or S106. The team may be contractors or spent on an external consultancy.

This Council amends the Mayor's budget as follows:

Reverse the following savings, reduce the Council tax increase and support food banks as follows:

Description	2021/22 Impact
Remove saving from the Ideas Store and Library Services (SAV/RES 003/21-22)	£1,600,000
Half the proposed saving of £569,000 from the re-provision of the existing day centres (SAV/HAC 003/21-22), including continuing to deliver services at Riverside, Stepney Way and Pritchard's Road	£284,500
Half the saving of £226,000 for VAWG, Hate Crime and Community Safety (SAV/HAC 005/21-22 so that there is no reduction in the quality of services available to those suffering these crimes	£113,000
Postpone the decision to decommission the Community Safety Response Team (SAV/HAC 006/21-22 and reinstate the budget of £512,000 for this service for the next two years	£512,000
Postpone the £450,000 Substance Misuse Service (SAV/HAC 008/21-22) savings for at least one year, until a full impact assessment is drawn up and presented to members.	£450,000
Delete the Review Telecare model saving (SAV/HAC 014/21-22)	£71,000
Delete the proposed end of the Health E1 Drug and Alcohol Service (SAV/HAC 015/21-22)	£102,000
Postpone to £650,000 saving previously proposed for the Support for Learning Service and accompanying loss of key teaching staff to	£650,000

minimise the disruption to children with Special Educational Needs at a time when their schooling has already been severely disrupted by the pandemic	
Award one-off grants of up to £100,000 to the voluntary food banks operating in Tower Hamlets so that they are better able to ensure no-one goes hungry in the East End this year	£100,000
Add a one-off top up of £150,000 to LBTH's own Residents Support scheme pot to help those who are unable to afford essential white goods, utility bills or who are in other priority debts	£150,000
Reduce the level of Council Tax increase in 2021/22 to 1.5 per cent instead of 2 per cent, making a total of 4.5 per cent	£500,000
<b>Total additional costs general fund</b>	<b>£4,532,500</b>
Additional laptops for pupils	£1,600,000
Capital delivery team	£1,000,000

Financial changes since the publication of the budget in December and updated in January.

MTFS agreed at the 27<sup>th</sup> January Cabinet was as follows.

#### Medium Term Financial Strategy 2021-2024 Summary

#### Appendix 1A

	2021-22 £'000	2022-23 £'000	2023-24 £'000
<b>Total Funding Requirement</b>	363,141	360,991	360,447
<b>Total Funding</b>	(361,886)	(341,870)	(349,564)
<b>Budget Gap (excluding use of Reserves)</b>	1,254	19,121	10,882
<b>Reserves Contribution / (Drawdown)</b>	(1,254)	(8,239)	-

However there have been a number of changes since the December budget was compiled which increase the funding for the first year of the MTFS.

#### Increases in funds available for 2021/22 publicised after December budget published

Financial Impact – positive numbers are good news - £ '000	Description	Source

£7,500	Surplus from 2020/21 year – excess COVID grants – one off	Forecast from Cabinet papers 3 <sup>rd</sup> March
£12,985	Non-ring fenced COVID grants from MHCLG to be paid April – one off	Government
£4,025	Additional Council Tax support – one off	Government
£24,510 total		

**Decreases in funds available for 2021/22 publicised after December budget published**

<b>Financial Impact – negative numbers are bad news - £ '000</b>	<b>Description</b>	<b>Source</b>
(£2,900)	Deficit in 2020/21 forecast to be larger than expected	
?	Additional COVID costs/ lost income in 2021/22 due to lockdown easing	
?	Business rate re-valuations	