

Description	2019/20	2020/21	2021/22	2022/23	4 Year Plan
	£m	£m	£m	£m	£m
Corporate pressures	5.998	7.315	9.459	5.305	<b>28.077</b>
Demographic Pressures	6.005	4.213	3.435	3.592	<b>17.245</b>
Potential loss of grant	7.368	9.402	0.000	0.000	<b>16.770</b>
Assumed savings	(13.257)	(9.146)	(9.491)	(8.487)	<b>(40.382)</b>
Proposals to close 2019/20 budget	(8.900)				<b>(8.900)</b>
Growth	2.786	1.000			<b>3.786</b>
<b>TOTAL</b>	<b>0.000</b>	<b>12.784</b>	<b>3.403</b>	<b>0.410</b>	<b>16.597</b>

**Corporate Pressures** are made up of:

- Forecast Increases in the ELWA Levy

The cost of waste disposal is annually agreed with ELWA (East London Waste Authority). The main cost increase relates to inflationary increases in the 25 year contract agreed in 2002 with Renewi (formerly Shanks). Havering along with the other 3 boroughs (Redbridge, Newham and Barking and Dagenham) have also begun to set money aside for the transition period leading up to the end of the contract.

- Capital financing and interest assumptions

The Council has an ambitious and far reaching regeneration programme which will rejuvenate key areas of the borough. The Council will invest significantly in the early years of these schemes with a return on investment in some cases maturing only in the medium term. Full business cases for the Joint Ventures are provided elsewhere on this Cabinet agenda.

- Review of reserves balances, risk requirements and provisions

As set out later in this report, the Council is planning to increase general balances to reflect both the level of savings made over the last 10 years and also the current significant national financial uncertainty.

- Future cost of concessionary travel

The cost of concessionary travel is largely based on usage (ie journeys undertaken by pass holders). The Londonwide overall cost is subject to an

annual settlement with Transport for London (TFL) and the other train and bus operators. Havering could face increases in costs either through the inflationary increases in this settlement or increase usage by residents of the borough.

- Future Pension Fund costs

The Council's pension fund is subject to a triannual valuation by appointed actuaries. This process reviews the overall health of the fund and makes recommendations on contributions the Council should make to the Fund.

**Demographic Pressures** are made of:

- Adult Social Care demographics
- Children's Social Care demographics
- Pay and contractual Inflation

The Council has a growing population with increasingly complex needs. Provision is made in the MTFs for projected increase in client numbers in both Adults' and Children's. The services continually work to contain costs whilst continuing to deliver the best outcomes their clients. The transformation programme will review all the social care processes in order to maximise efficiency and produce the best solution for clients.

Pay awards are controlled nationally and the MTFs makes provision for anticipated future increases. The Council aims to contain all other inflationary costs but recognises the need to provide for contractual uplifts and market uplifts in areas such as Social Care.

#### **Potential Loss of Grant (20/21 grant loss assumptions in brackets)**

- Improved Better Care Fund or IBCF (£5.6m)
- Social Care Grant (£1.7m)
- Public Health Grant (£0.7m)
- New Homes Bonus (£0m)
- Revenue Support Grant (£1.4m)

The grant announcements relating to IBCF and the Social Care Grant are silent after 2019/20. The MTFs currently assumes they will be discontinued after 2019/20. This is a pessimistic but prudent position to take until further clarity is published following the outcome of the forthcoming consultation on Adult Social Care Green Paper.

The Public Health Grant pressure recognises reductions to that grant over the last two years.

The New Homes Bonus assumption however assumes that there will be no further reductions to the remaining £2.9m grant after 2019/20. To achieve this position will require significant additions to the number of homes in the borough over the next three years. This will be closely monitored each quarter.

The MTFS assumes a cut of £1.4m revenue support grant in 2020/21 but no further general grant reductions after that as by then Havering's RSG will zero. However, this is uncertain and may change following the Fairer Funding Review and Spending Review in 2019.

## Savings Assumptions

The Council has already agreed a challenging programme of savings over the next four years. Implementation of these savings is essential to balance the budget but it is recognised that a pro-active approach will be needed to achieve the desired outcome.

The Council has built in £13.3m of savings proposals into its balanced budget for 2019/20. These proposals follow on from year on year savings of over £70m in the last five years. Clearly the compound effect of these proposals increases the risk of non-delivery. The proposals put forward for 2019/20 have been fully scrutinised and validated but it is recognised that there is an increased risk of non-delivery. The Council's policy on reserves recognise this risk.

The MTFS assumes a further £27m of ongoing savings and increased income over the next three years from 2020/23. Most of these savings are transformational and will be reviewed at regular intervals. As stated earlier in this report the transformation programme has a number of additional strands which are also expected to help close the 2020/21 gap. These will add to the savings figures in the MTFS table above.

## Sensitivity Analysis

The assumptions used to formulate the MTFS are robust and are the best available at this time. These assumptions however are subject to fluctuations and will change over time. The sensitivity analysis below shows the impact of changes to the current assumptions in the MTFS.

Notional Impact on Council Tax of Risks	Budget Impact	Council Tax Impact
	£m	%
1% increase in pay	0.9	0.74%
1% increase in contract inflation	0.7	0.54%
1% increase in Adult client numbers / demographics	1.0	0.83%
1% increase in borrowing rates	0.6	0.50%
Failure to achieve New NHB in 2020/21	2.1	1.74%
10% Non Delivery of 2019/20 savings proposals	1.4	1.16%