



Haverling

LONDON BOROUGH

Cabinet
Reports on the budget
17th February 2021
Jane West, Chief Operating Officer

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The Cabinet is presented with 3 reports to approve

- The 2021/22 Budget and 2021/24 Medium Term Financial Strategy
- The Capital Programme and strategy
- The treasury management strategy statement and annual investment strategy

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The budget report is the annual report to Cabinet and Council which agrees the general fund budget for 2021/22 and Council Tax levels for that year.

The report recommends:

- A general Council Tax increase of 1.5%
- A further increase of 3.0% in Council Tax to fund the Social Care precept in accordance with central government policy on funding this area
- That savings of £17.1m are agreed for 2021/22 as set out in Appendix B in order to balance the 21/22 budget
- The proposed fees and charges for 21/22 (Appendix C)
- The proposed Council Tax Support scheme for 21/22 (Appendices E and F)

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The report also contains sections explaining the following areas:

1. A summary of the Council's response to the COVID pandemic
2. The Outcome of the Local Government Finance Settlement for 2021/22
3. The process undertaken to balance the 2021/22 budget
4. The 2021/22 budget consultation process and outcomes
5. The 3 year medium term financial strategy to 2024
6. The financial risks facing the Council moving forward
7. A statement of robustness completed by the S151 officer in accordance with Section 25 of the Local Government Finance Act 2003

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Gap at November Cabinet

The November Cabinet received the following financial position

Medium Term Financial Strategy	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m
Corporate pressures	13.685	14.602	2.596	30.883
Demographic pressures	3.131	5.026	4.923	13.080
Inflationary pressures	2.950	2.007	2.027	6.984
Unachieved MTFS savings 2020/21	7.207	0.000	0.000	7.207
Revised gap	26.973	21.635	9.546	58.154
2020/21 savings back on the table	-2.537	0.000	0.000	-2.537
2021/22 savings back on the table	-7.152	-1.300	-0.500	-8.952
New savings	-9.293	-2.027	-0.727	-12.047
Total savings to date	-18.982	-3.327	-1.227	-23.536
Remaining gap	7.991	18.308	8.319	34.618

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Summary Update	2021/22	2022/23	2023/24	3 Year Plan
	£m	£m	£m	£m
November Cabinet Position	7.991	18.308	8.319	34.618
Settlement Updates (further breakdown below)	(1.278)	3.220	0.000	1.942
Other Corporate Updates (further breakdown below)	2.715	(1.014)	0.350	2.051
Delays to the Capital Programme	(3.578)	(1.567)	4.315	(0.830)
Impact of 3% Social Care Precept	(3.900)	0.000	0.000	(3.900)
Proposal to increase Council Tax by 1.5%	(1.950)	0.000	0.000	(1.950)
Revised Position	0.000	18.947	12.984	31.931

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Adjustments to MTFS following the settlement	2021/22	2022/23	2023/24	3 Year Plan
	£m	£m	£m	£m
Reduce Business Rates yield to Safety Net	1.780			1.780
Use of Business Rates Provision set aside	(1.331)			(1.331)
Provision for loss of central grant (Funding reform)		2.000		2.000
Take out Business Rate Pool Growth as pool discontinued	0.300			0.300
New £670m general allocation to cover increased CTS (assume one off)	(2.222)	2.222		0.000
Loss of Council Tax yield due to increased CTS and Single Person Discounts	1.630			1.630
Troubled Families Grant to continue for a further year	(0.545)	0.545		0.000
New Adult Social Care Grant (300m)	(0.594)			(0.594)
Assume existing Adult Social Care Grant is ongoing		(1.700)		(1.700)
New Collection fund deficit grant	(0.500)			(0.500)
Updated New Homes Bonus Assumptions	0.204	0.153		0.357
TOTAL SETTLEMENT FINANCIAL IMPACT	(1.278)	3.220	0.000	1.942

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Corporate Updates	2021/22	2022/23	2023/24	3 Year Plan
	£m	£m	£m	£m
Reduction in Interest from Cash balances	1.000	0.000	0.000	1.000
Increase in tax base yield for new properties	(0.630)	0.000	0.000	(0.630)
Provision for non achievement of savings (10%)	1.700	0.000	0.000	1.700
Provision for underlying budget issues in 20/21	1.000	0.000	0.000	1.000
Updated position on concessionary fares	(0.282)	(0.570)	(0.270)	(1.122)
Updated reduction in income Inflation and other corporate assumptions	(0.073)	(0.444)	0.620	0.103
TOTAL CORPORATE UPDATES	2.715	(1.014)	0.350	2.051

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Other Grant Announcements

There have also been other recent grant announcements. The COVID grant and new lower tier grant are one off and so should not be used to balance the budget. The homeless prevention grant is a replacement merging the flexible homelessness support grant and the homeless reduction grant.

OTHER GRANTS	2021/22	DESCRIPTION
	£m	
One off COVID funding tranche 5 (£1.55bn Nationally)	6.599	This fund will need to be set aside to meet future pressures and burdens which will continue through the spring
One off grant for lower tier authorities (£111m nationally)	0.279	This is a one off grant funded by unused New Homes Bonus. This grant will be set aside to fund future COVID Pressures
Homeless Prevention Grant	2.344	This grant replaces the flexible homelessness support grant and the homeless reduction grant and will be earmarked for housing use as was the case with the grants it replaces

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The main risks to the budget relate to the continuing impact of the pandemic:

- Additional demand on adult social care
- Potential demand on children's services from the lockdown
- Scale of savings required even after allowing for provision for non achievement
- Lower income collection through businesses and individuals experiencing financial difficulty and hardship
- Long lasting effect of the current Covid-19 Lockdowns and Tier arrangements on local businesses and leisure centres
- The national economic situation impacting on house prices and the viability of regeneration schemes
- Future of local government financing

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The Capital Programme sets out the Council's capital plans over the medium term

The Capital Strategy sets out how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial stability

The Capital Programme & Strategy is underpinned by the strategic aims of the Council

After taking into consideration the existing approved capital programme, new bids and the capital investment plans the full proposed capital programme is developed for Members to approve

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The Capital Programme

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults Services	2.132	0.023	0.000	0.000	0.000	0.000	2.154
Customer, Communication & Culture							
Art & Culture	0.050	0.000	0.000	0.000	0.000	0.000	0.050
Leisure - Other	7.540	3.125	0.000	0.000	0.000	0.000	10.665
Leisure - SLM	0.764	0.100	4.721	0.000	0.000	0.000	5.585
Libraries	0.223	0.010	0.000	0.000	0.000	0.000	0.233
Customer, Communication & Culture Total	8.577	3.235	4.721	0.000	0.000	0.000	16.534
Childrens Services Total	0.042	0.005	0.000	0.000	0.000	0.000	0.047
Environment							
Environment - Highways	12.206	12.300	0.300	0.000	0.000	0.000	24.806
Environment - Parks	1.600	0.500	0.500	0.000	0.000	0.000	2.600
Environment - Street Lighting	0.200	0.000	0.000	0.000	0.000	0.000	0.200
Environment - TFL	1.957	0.000	0.000	0.000	0.000	0.000	1.957
Environment - Parking	1.000	1.000	1.000	1.000	0.000	0.000	4.000
Environment - Public Protection	3.500	0.000	0.000	0.000	0.000	0.000	3.500
Environment Total	20.463	13.800	1.800	1.000	0.000	0.000	37.063
Registration & Bereavement Services	5.850	0.000	0.000	0.000	0.000	0.000	5.850
Asset Management Total	11.220	6.128	0.007	0.000	0.000	0.000	17.355
Finance Total	7.000	0.000	0.000	0.000	0.000	0.000	7.000
ICT Infrastructure	11.142	8.044	8.242	4.930	3.630	2.830	38.818
Regeneration Programme	141.957	153.067	82.470	21.305	15.779	20.737	435.315
Total GF Capital Expenditure	208.382	184.302	97.241	27.235	19.409	23.567	560.136

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The Capital Programme

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m	£m
Existing GF Service Spending	34.472	11.891	5.228	0.000	0.000	0.000	51.591
New GF Capital Bids	36.091	19.344	9.542	5.930	3.630	2.830	77.367
HRA Programme	142.970	174.740	167.649	205.093	185.994	0.000	876.446
Regeneration Programme	137.819	153.067	82.470	21.305	15.779	20.737	431.178
Total Proposed Capital Programme	351.352	359.042	264.889	232.328	205.403	23.567	1,436.582

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Financing the Capital Programme

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and private finance initiatives).

It should be noted that debt is only a temporary source of finance since loans and leases must be repaid, and is therefore replaced over time by other financing. This is usually from revenue which is known as the minimum revenue provision (MRP).

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Sources of Finance	£m	£m	£m	£m	£m	£m	£m
Capital Receipts	95.079	88.558	47.084	7.089	5.442	0.000	243.252
Revenue & Reserve Contributions	18.143	12.533	14.584	11.534	24.309	0.000	81.103
Grants & Other Contributions	22.335	41.580	26.961	62.706	66.845	0.000	220.427
GF Debt (Borrowing)	102.110	97.326	56.876	27.235	19.409	23.567	326.523
HRA Debt (Borrowing)	113.685	119.045	119.384	123.764	89.398	0.000	565.277
Total Proposed Capital Programme	351.352	359.042	264.889	232.328	205.403	23.567	1,436.582

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The Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR).

The CFR increases with new debt-financed capital expenditure and reduces with MRP.

Based on the financing figures of the capital programme the CFR (outstanding debt of the Council) is expected to increase by £206m during 2021/22

The debt has to be repaid, normally from setting aside the MRP. In addition to MRP however is the borrowing costs associated with the additional debt

Whilst the Council has access to cheap borrowing through the Public Works Loan Board (PWLB) there is still a cost to the Council of borrowing this money.

Further information on the Councils debt and access to loans is found in the Treasury Management Strategy Statement (TMSS)

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This report links to both the Capital Strategy Report and the Medium Term Financial Strategy Report to ensure the authority has an affordable and sustainable capital programme.

The report reflects the authority's appetite for risk and view of interest rates going forward.

The report sets out the risks associated with the approved financial instruments that are used for investing and borrowing

The report covers:

- a) the governance for managing the authority's treasury activities
- b) borrowing for the capital programme
- c) how we place security and liquidity above maximising returns
- d) the investment of its surplus cash .

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PWLB Interest Rates Outlook

The table below shows the latest PWLB forecast interest rates

	Mar-21	Jun-21	Sep-21	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
5 Yr PWLB	0.90	0.90	0.90	0.90	1.00	1.10	1.20	1.20
10 Yr PWLB	1.30	1.30	1.30	1.30	1.40	1.50	1.60	1.60
25 Yr PWLB	1.90	1.90	1.90	1.90	2.00	2.10	2.20	2.20
50 Yr PWLB	1.70	1.70	1.70	1.70	1.80	1.90	2.00	2.00

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