Havering LONDON BOROUGH

CABINET

Subject Heading:	**2022/23 Budget and 2022-2026 Medium Term Financial Strategy**
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Policy context:	This report sets out the Council's revenue budget requirement for 2022/23 and MTFS for the following three years. It makes proposals regarding the level of Council Tax required to meet the budget requirement. The report also provides an update on the outcome of the 2022/23 local government financial settlement.
Financial summary:	This report includes: • the approach to setting the Council's 2022/23 budget and MTFS for the following three years • the outcome of the local government finance settlement • The recommended Council Tax level for 2022/23.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]

EXECUTIVE SUMMARY

The report sets out the Council's current financial situation and its approach to achieving financial balance over the period 2022/23 to 2025/26.

The 2022/23 budget has been prepared following two years where the impact of the COVID pandemic has profoundly affected everything the Council does. The Council responded quickly and decisively to the pandemic and has succeeded in providing a high quality service to its residents in very difficult circumstances. This year the Council has restored its business as usual as well as supporting the recovery of the borough as we come out of the pandemic.

The Council has continued to deliver key services to residents. It remains well on track to deliver the four year £40 million capital spend on roads (2019/20- 2022/23). It has continued to fund additional police officers for the borough, provided weekly bin collections and improved award winning parks. Investment continues in new homes that will provide local residents with good quality living accommodation into the future. The new Harrow Lodge leisure centre opened in Hornchurch in May 2021 and work started on site for the new Rainham Leisure Centre in January 2022. The Council's transformation programme is delivering improved services through initiatives such as the new Local Area Co-ordinators in Harold Hill and Rainham operating from community hubs that are geographically closer to residents. It is also supporting cash savings through investment in state of the art ICT systems that deliver staff efficiency as well as improving the customer experience.

The recovery of the borough has required the Council to provide funding for support to residents with Long Covid, for support to businesses in accessing government grants and for Covid-safe travel to school for children with special educational needs. The Council has used external funds to design and deliver a Memorial Woodland to commemorate residents who lost their lives in the pandemic.

However, the pandemic has had a significant negative impact on the Council's overall financial position and much work has been needed over the last year to ensure it maintains financial sustainability into the future. The 2022/23 budget and four year medium term financial strategy set out in this report recognise the additional demand and cost pressures the Council is facing following the pandemic. However, it assumes that there will be no further lockdowns and that services will be able to operate without further restrictions. Clearly this is a national issue and it is hoped that if further restrictions are put in place the Government will provide funding to cover additional pressures.

The Council has experienced high increases in demand for Social Care in the period following lockdown. The numbers of discharges from hospitals continue to be at very high levels placing extreme pressures on the Adult Social Care budget to meet the needs of these clients. Demand is also rising in Children's services as the number of referrals post lockdown increases at a fast rate. The medium term financial strategy models the impact of this demand and also models the extent to which the pressure will change in future years. There will be risk associated with these assumptions and they will be monitored closely.

The Government has provided some additional financial support for 2022/23 to partly mitigate these pressures but the 2022/23 Local Government Finance Settlement is largely one off creating uncertainty for future years from 2023/24 onwards. The Government have taken this approach to enable the implementation of the Fair Funding Review and Levelling Up for next year. It is hoped that the Government fully recognises the extreme pressure on social care faced by boroughs such as Havering and redirect significantly more money to this area as part of the re-distribution in 2023/24. The Council has and will continue to lobby hard to exemplify this point to Government at every opportunity.

The Council's medium term financial strategy presented to Council in March 2021 identified a financial gap for 2022/23 to be closed. The increased demand on social care together with rising inflation increased this gap over the last year requiring the Council to find significant savings and efficiencies to close the gap and set the balanced budget proposed in this report.

The medium term financial strategy identified the majority of this pressure at an early stage enabling action to be taken in order to set a balanced budget for 2022/23. Savings options were developed and discussed strategically during the summer of 2021 resulting in a set of clear proposals which were reported to Cabinet in October 2021. The Council has further refined these proposals since October and the resultant savings and efficiencies are set out in Appendix A of this report.

These savings together with the additional funding in the Local Government Finance Settlement has partly closed the gap for 2022/23. The Government's strategy to fund social care has included the expectation that local government will increase Council Tax by 1% to fund a Social Care precept to support pressures in that area. The Council proposes to include this precept plus a further 1.99% general Council Tax increase in order to balance the 2022/23 budget bringing the total council tax increase in relation to London Borough of Havering services to 2.99%.

The Council only ever increases council tax as a last resort but given the extreme pressures on social care and the inadequate local government funding settlement from central Government, this increase is necessary.

It should be noted that the total increase in Council Tax may exceed 2.99% as currently the Mayor of London has published plans to increase the GLA precept on Council Tax by £31.93 in order to help fund transport and policing in the capital. The Mayor is due to set the GLA budget on Thursday 24th February 2022.

This budget paper provides a robust and balanced budget for 2022/23 but also highlights significant risks associated with future years and in particular 2023/24. The medium term financial strategy is showing a gap of £7.9m for 2023/24 even after further savings of £11.5m are included. This is reflective of additional demographics and inflation and the significant risk of reduced central government funding. The Council will continue to work closely with its health partners and lobby central government for additional funding to meet these pressures.

The Council has reduced its budget significantly over the last decade and whilst this has been largely achieved through efficiency and modernisation the continued requirement for savings place ever increasing risk on the budget position. Appendix D of this report sets out the financial risks facing the Council and all of these risks will be closely monitored in the months ahead.

This report consists of the following sections:

- Introduction (Section 1)
- Background and Strategic Context (Section 2)
- The revenue monitoring position for 2021/22 (Section 3)
- The budget process (Section 4)
- The Local Government finance settlement and update on 2021 three year spending review plans (Section 5)
- 2022/23 Budget Proposals (Section 6)
- Impact of proposals on Council Tax levels (Section 7)
- Update on the Medium Term Financial Strategy (Section 8)
- Proposed Fees and Charges (Section 9)
- Contingencies Reserves and General Balances (Section 10)
- Update on the Capital Programme (Section 11)
- Budget risks and uncertainties (Section 12)
- Chief Financial Officer statement regarding the robustness of the budget (Section 13)
- Discount for Council Tax Payers Paying in Full (Section 14)
- Council Tax Support Scheme 2022/23 (Section 15)

RECOMMENDATIONS

Cabinet is asked to:

- Agree the Council Tax requirement for 2022/23 to be set at £140.823m as set out in section 6 and Appendix G of the report;

- Agree the Delegated Schools' draft budget set out in section 5.13 of this report;

- Agree a 1.99% increase in core Council Tax for 2022/23 as set out in paragraph 6.8;

- Agree an additional 1% Council tax increase for the Adult Social Care Precept;

- Note the Medium Term Financial Strategy position as set out in Section 8

- Agree the fees and charges schedule as set out in Section 9 and Appendix C

- Note the risks to the 2022/23 budget as set out in Section 12

- Note the requirements of S106 of the LGA 1992 Act as set out in Section 1

- Agree that to facilitate the usage of un-ringfenced resources, the Chief Financial Officer in consultation with Service Directors will review any such new funds allocated to Havering; make proposals for their use; and obtain approval by the Leader and the Cabinet Member for Finance and Property.

- Delegate to the Chief Financial Officer in consultation with Service Directors the authority to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements, where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation with Cabinet Members as appropriate.

- Delegate authority to the Cabinet Member for Adult Social Services and Health and the Leader to approve an annual spend plan for the Public Health grant.

- Delegate to the Directors of Children's and Adults authority to agree inflation rates with social care providers for 2022/23.

- Read the Equalities Impact Assessment in respect of the CTS Scheme as set out in Appendix E to this report.

- Read the summary version of the Council Tax Support Scheme for 2022/23 as set out in Appendix F to this report (unchanged from 2021/22).

- Delegate authority to the Chief Executive, in consultation with the Leader and with the Council's recognised trade unions, to devise and implement a voluntary release scheme for staff as part of the Medium Term Financial Strategy position set out in Section 8.2.

Cabinet is asked to recommend to Council for consideration and approval:

- Agree the Council Tax requirement for 2022/23 to be set at £140.823m as set out in section 6 and Appendix G of the report;

- The Delegated Schools' draft budget set out in section 5.9 of this report;

- A 1.99% increase in core Council Tax for 2022/23 as set out in paragraph 6.8;

- An additional 1% Adult Social Care Precept ;

- That it pass a resolution as set out in section 14 of this report to enable Council Tax discounts for early payment to be given at the 2021/22 level of 1.5%.

- Recommend to Full Council that the Council Tax Support Scheme for 2022/23 is adopted as set out in Section 15 of this report (unchanged from 2021/22).

REPORT DETAIL

1. Introduction

1.1 This report presents the proposed 2022/23 budget and also an update of the Medium Term Financial Strategy (MTFS) between 2022/23 and 2025/26 that will support the delivery of the Council's objectives and priorities. The report includes a recommendation to increase the Havering element of Council Tax by 2.99% (including the Adult Social Care precept) in order to meet the new budget requirement whilst maintaining tight financial control and ensuring prudent levels of reserves and balances are maintained.

1.2 Councillors are reminded that Section 106 of the Local Government Finance Act 1992 requires any Member who is two months or more in arrears on their Council Tax to declare their position and not to vote on any issue that could affect the calculation of the budget or the Council Tax. Any Member affected by Section 106 who fails to declare could be subject to prosecution.

2. Background

2.1 Setting the 2022/23 budget and the production of the 2022-26 medium term financial strategy has been one of the most difficult and complex processes for a number of reasons

- The continued impact of COVID on service delivery

COVID continues to affect the delivery of Council services and demand from the public. The Government has provided no new un-ringfenced funding for 2022/23 to recognise ongoing COVID pressures. The variants including the current Omicron variant have resulted in the Council taking further social distancing measures to safeguard the health of our residents. Even if these measures are able to be relaxed by 1 April 2022 it will be some while before footfall reaches pre COVID levels in our leisure facilities and town centres.

More significantly the numbers of discharges from hospitals continue to be at very high levels placing extreme pressures on the Adult Social Care budget to meet the needs of these clients. Demand is also rising in Children's services as the number of referrals post lockdown increases at a fast rate.

- Future pressures opportunities and risks caused in part by the COVID pandemic

The pandemic has changed the way the Council provides its services in a way unimaginable a couple of years ago. Some services in particular social care have seen an explosion in demand and in setting the budget and medium term financial plan the Council has had to model the impact of this demand and also model the extent to which the pressure will change in future years. There will be risk associated with these assumptions and they will be monitored closely

During lockdown the Council workforce has been forced to work from home. This is now well established and Council business is conducted through online mediums such as MS Teams and Skype. As all restrictions ease the Council is developing its new model for working and the office space it may require in the future. This process may require investment in the short term to provide for hybrid facilities but in the medium term is likely to result in savings as the Council reduces the number of buildings it requires.

- Social Care and the demographic pressures being faced by Havering

Havering has been hit very hard by the increase in both demand and unit costs for its Social Care services. Both Adults and Children's have experienced a large increase in client numbers which has caused a revenue pressure in 2021/22 and a significant impact on the MTFS for 2022/23 onwards. The Government has increased grant for this area in the financial settlement but this new funding is not enough to plug the gap.

The pressures are not only increased demand but also the unit cost of that demand as our providers experience rising costs of both staff and running costs. The Government has introduced a 1.25% increase in National Insurance and energy costs which are a particular factor in care homes are increasing at a high rate. These pressures are set out in greater detail in section 6 of this report.

- Uncertainty about future government funding beyond 2022/23

The Local Government Finance Settlement has provided clarity regarding the 2022/23 level of funding. Much of the funding however was allocated for one year only which allows the Government the flexibility to introduce both distributional change through the Fair Funding Review and also to fund other policies such as Levelling Up from 2023/24 onwards. This provides considerable risk and uncertainty for medium term financial planning. We strongly hope the Government realise this and provide exemplifications to allow authorities to plan for 2023/24 onwards in an effective manner

- The changing need of our businesses and residents as we continue through the recovery period

It is nationally recognised that the demand and expectation of residents and businesses from the Council has never been higher. The requirements to the public has changed over time as well with increasing emphasis on online and digital solutions rather than more traditional methods. The pandemic has accelerated this process by requiring residents and the public to access the Council remotely and the Council is now working on the best future solutions to both meet the needs of the public and provide the efficiency to balance the budget.

The Council has invested in its digital infrastructure to help meet this demand and will continue to modernise its methods to adapt to the new environment. Havering has an elderly population and particular regard is always given to ensuring they have access to services in taking any decisions about future provision.

- Managing the current 2021/22 revenue monitoring position and its ongoing impact on the budget for 2022/23

The current revenue budget in 2021/22 is overspent as set out in section 3 of this report. The Council is working hard to bring this overspend under control so that it does not impact on the medium term financial position. The ongoing impact of the social care overspends has been built into the future planning for 2022/23 although there is considerable uncertainty thereafter if demand continues to rise.

3. The current 2021/22 revenue monitoring position

3.1 The Council has had to manage pressures and losses of income as a result of the pandemic throughout 2020/21 and 2021/22. The Government has provided significant support throughout the lockdown period which has largely mitigated the direct COVID pressures and losses of income. The Government however has not provided enough support to offset the continuing large increases in demand for both Adults and Children's services. As a result the Council has reported a projected overspend for 2021/22 which was over £14m at the end of September.

3.2 Senior Management and Councillors acted swiftly to develop an action plan aimed at both curtailing spend in the current year and developing both one off and ongoing savings. The actions included:

- All overspends to be reviewed and challenged to identify any non-recurrent Covid spend
- All use of consultancy to be reviewed by senior management
- All new one-off projects to be put on hold
- A brake on recruitment outside of particularly hard to recruit disciplines such as social workers and planners and excluding non-General Fund funded posts
- Major contracts approaching expiry to be reviewed for potential savings

- Contain Outbreak Management Fund to be examined to ensure the Council is funding all appropriate costs to the scheme
- oneSource to deliver in-year savings of £1 million against its projected overspend
- Further in-year savings target for Havering services of £5 million to be spread across departments based on controllable budgets
- Review of the revenue implications of the Capital programme to take account of the latest forecast spend and use of internal borrowing.

3.3 At the same time Adults and Children's have undertaken a full review of all their costs aimed both at reducing costs in 2021/22 and at establishing which of the costs will remain as ongoing pressures to be built in to the Council's budget for 2022/23.

3.4 These actions have already had a significant impact on the Council's budget position in 2021/22 reducing the projected overspend to £10.8m at the end of November 2021 (Period 8).

3.5 It is expected that these actions will continue to improve the overspend position by year end and the Adults and Children's review has allowed the ongoing pressures that have emerged in 2021/22 to be provided for in 2022/23.

3.6 It should be noted that the 2021/22 budget included planned contributions to general reserves of £8m (including a £3m contribution from ongoing base budget) which if achieved would take the general balances to just under £19m. This will be reduced by any remaining overspend at the end of 2021/22.

3.7 The Period 8 November budget monitoring position is shown in the table below. Should this position not improve by March 2022, the Council's General Fund balance will be reduced to £8.1m at the end of 2021/22.The Council's strategic aim is to increase its General Fund balance to £20m.

Table 1: 2021/22 Revenue Monitoring position as at 30th November 2021

Financial Position	£m
Projected COVID Expenditure for the year	1.664
Potential income loss for the year	5.175
Potential gap in 2021/22 MTFS savings delivery	4.057
Business As Usual Net Position	10.629
Total Pressures	**21.525**
Government Support to date	(6.599)
Projected value of Government support on loss of income	(1.428)
Corporate	(2.700)
Remaining Gap (excludes £8m planned contribution to reserves)	**10.798**

3.8 The Council continues to work hard to close the 2021/22 gap and fully expects this position to improve by year end.

4. The Budget Process

4.1 The Council has worked tirelessly to meet the pressures and demands caused by the COVID pandemic over the two years. At the same time the Council maintained its medium term financial strategy in order to set a balanced budget for 2021/22. During the summer and early autumn the Council reviewed the pressures it expects to face in 2022/23 in order to determine the level of savings and efficiencies that would be required to balance the budget.

4.2 The process to set the budget and medium term financial strategy is an ongoing one and in effect starts at the beginning of the financial year. The process is robust and apart from the impact of the COVID pandemic takes account of the following factors:

- Inflation Rates
- Demographic Assumptions
- Interest Rates and the cost of borrowing
- Current in-year pressures
- Implications of the future Capital programme
- Prudent levels of balances and reserves

4.3 The identification of demographic pressures moving into 2022/23 has been a robust process using metrics measuring both unit costs and client numbers. This process in Adults in particular has presented a very challenging position which appears to be more acute in Havering than other boroughs in London.

4.4 The Government has recognised these pressures and provided grant funding in the local government finance settlement to partially address these issues. The funding is set out in the section below but there is considerable uncertainty both in the extent of the demographic pressures in future years and the extent to which central government will recognise these pressures in future funding.

5 The Local Government Financial Settlement

5.1 The Local Government Finance Settlement was a one year settlement and whilst it included welcome extra funds in 2022/23 it also left uncertainty for future years.

5.2 In October the Chancellor announced a three year spending review which set out £1.6bn of additional funding for the next three years for Local Government. The finance settlement provided detail on how £1.5bn of this fund was to be allocated at an authority level for 2022/23. Much of the funding however was allocated for one year only which allows the Government the flexibility to introduce both distributional change through the Fair Funding Review and also to fund other policies such as Levelling Up from 2023/24 onwards.

5.3 The Government provided early exemplifications of the potential impact of the Fair Funding Review in 2019 and these showed a clear re-direction of funds away from London. The world has changed since then and it is hoped that as the distribution formula is updated the Government recognise the extreme pressures London Boroughs are facing following the pandemic. There is however a clear risk that both through the new formula and Levelling Up that the Government will move money from London in particular resulting in grant loss for Havering from 2023/24 onwards.

5.4 The key points of the Settlement were as follows:

- Core Spending Power will increase by £3.5bn (6.9% in cash terms) nationally (This is the Government's measure of a Council's overall funding increase and includes the assumption that Council Tax will increase by 3%).

- £1.5bn new grant funding for Local Government in 2022/23 as set out by the Chancellor when he announced the Spending Review 2021 (SR21) in October 2021. This funding will continue into 2023/24 and 2024/25 but there is no detail on its future distribution paving the way for Levelling Up and the Fair Funding Review to move resources between regions, sub-regions and individual councils.

- The main council tax referendum principle will be triggered by a 2% increase in Council Tax and authorities will be able to include an Adult Social Care Precept of a 1% increase in Council Tax.

- Part of the £1.5bn allocation (£822m) for 2022/23 will be in the form of a one off Services Grant. This is an unringfenced grant to support general pressures. (Havering will receive £2.382m).

- A further £636m will be allocated as an addition to the existing Social Care Grant. (Havering will receive £2.437m).

- The Improved Better Care Fund will increase by 3%.

- Revenue Support Grant will increase by 2.7% (Havering only receives an additional £0.048m as its existing Revenue Support Grant is very low).

- There will be a continuation for one more year of the Lower Tier Services Grant (Havering will receive £0.300m). It is expected this grant will be rolled into general funding as part of the reforms in 2023/24.

- New Homes Bonus will continue for one more year funded by a top slice from Revenue Support Grant. Havering was just over the threshold to receive NHB and will receive an allocation of £0.284m.

- The Government have frozen the Business Rate Multiplier for 2022/23 and have compensated local authorities for the resultant loss of income (Havering will receive an additional £1.731m).

- As part of the first steps towards Adult Social Care reform the Government have allocated £162m to Local Authorities to prepare the system (Havering will receive £0.679m). There are a number of specific grant conditions and requirements attached to this funding and Havering will earmark the fund to deliver these outcomes

5.5 The table below sets out the additional funding received by Havering as a result of the funding settlement. This table excludes the loss of the £2.222m CTCS grant which was awarded in 2021/22

Table 2: Havering Financial Settlement figures 2022/23

Havering Settlement figures - Additional Funding	Ongoing Funding	One Off Funding	Total Additional Funding
	(M)	(M)	(M)
Additional Social Care Grant	2.44		2.44
Additional Revenue Support Grant	0.05		0.05
Inflationary Increase to IBCF	0.20		0.20
New Services Grant		2.38	2.38
Lower tier services Grant		0.30	0.30
Additional New Homes Bonus		0.13	0.13
Compensation for not increasing the business rate multiplier		1.73	1.73
TOTAL NEW FUNDING	**2.69**	**4.54**	**7.23**

Havering received £0.153m New Homes Bonus in 2021/22 – This rose to £0.284m in 2022/23 but is set to end in 2023/24

5.6 <u>Core Spending Power</u>

The Government uses Core Spending Power as the measure of additional financing for an authority to meet its pressures. Core Spending Power includes an assumption of both taxbase growth and a maximum permitted increase in Council Tax for every authority

Table 3: Havering Core Spending Power 2022/23

Core Spending Power	Havering		
	2021-22	2022-23	Increase
	£ millions	£ millions	£ millions
Settlement Funding Assessment	35.96	36.01	0.05
Compensation for under-indexing the business rates multiplier	1.80	3.53	1.73
Council Tax Requirement excluding parish precepts	134.98	139.59	4.61
Improved Better Care Fund	6.62	6.82	0.20
New Homes Bonus	0.15	0.28	0.13
Social Care Grant	6.04	8.48	2.44
Market Sustainability and Fair Cost of Care Fund	0.00	0.68	0.68
Lower Tier Services Grant	0.28	0.30	0.02
2022/23 Services Grant	0.00	2.38	2.38
Core Spending Power	**185.85**	**198.09**	**12.24**
Percentage increase in CSP			**6.59%**

Rather than the national increase in Core Spending Power of 7.4%, the table above confirms that Havering's Core Spending Power increases by just 6.6%.

The Core Spending Power increase includes:

- An assumption of taxbase growth and an assumed 3% increase in Council Tax (totalling together £4.61m) thereby assuming an additional 3.4% in funding is available to Havering from Council Tax Payers collectively
- Funds earmarked for to develop the new cost of social care system (£0.68m)
- One off funds that have no guarantee from 2023/24 onwards (£4.54m)
- Ongoing increases in funding (£2.69m).
- It should be noted that Core spending power increase quoted by the Government excludes the loss of a £2.22m grant from 2021/22 which was allocated to authorities to recognise increases in the numbers of people on the Council Tax support scheme

5.7 Adult Social Care Reform

Funding to cover the costs of adult social care reforms has been included within Core Spending Power (as set out at Spending Review 2021 (SR21)). The "Market Sustainability and Fair Cost of Care Fund" is worth £162m and is intended to support local authorities prepare their markets for reform and move towards paying providers a fair cost of care. It will be allocated using the existing Adult Social Care Relative Needs Formula. Havering will receive £0.679m in 2022/23.

The Government will work closely with local government to determine appropriate grant conditions, national guidance and distribution mechanisms for funding allocations in 2023/24 and 2024/25, but has indicated that £600m will be allocated via this grant in each of those years.

5.8 Apportionment methodology and concern over future settlements

Havering welcomes the additional funding in the finance settlement but has a number of concerns which centre around the methodology used to apportion the grant and the considerable uncertainty for future funding beyond 2022/23.

The Council replied to the consultation on the settlement making the following points:

- The distribution formula for the Adult Social Care Grant is unfair as a proportion of the grant is based on the ability of an authority to raise council tax. The whole grant should purely be based on Adult relative need and there should not be an assumption that local taxpayers will partly fund the pressure through Council Tax.
- Whilst the increase is welcomed it is not enough to meet the current demand increases in Adult Social Care. Havering has potential pressures of over £10m next year in Adult Social Care and the grant of £2.4m does not come anywhere near to offsetting this increase in demand. The majority of the new £822m Services Grant needs to be redirected to local councils experiencing the most acute Adult Social Care spending pressures. If the Government refuse to do this in 2022/23 it is imperative that this happens as part of the re-distribution of the Services Grant in 2023/24
- There is a unique case for Havering regarding Adult Social Care. It has one of the most elderly populations nationally and one of the highest concentrations of care homes in the country. The impact of the pandemic and consequential increases in demand and unit costs have impacted on Havering more than any other London Borough.
- There need to be exemplifications modelling the potential redistribution from the Fair Funding Review and levelling up as soon as possible to provide clarity for 2023/24. The majority of these funds should be redirected to councils with the greatest Adult Social Care spending pressures.
- The allocation of additional Revenue Support Grant should not be based on current RSG levels but be a distribution based on pure need. Ability to raise Council Tax should not impact grant distribution to support need.
- The Government should provide clarity as soon as possible on what system follows New Homes Bonus or whether this funding is simply to be rolled into general support.

It is hoped the Government will take on board these points and provide clarity at an early stage on the 2023/24 proposals. In particular, it is essential that the Government stops using presumptive Council Tax increases as a basis for grant distribution. Councils that have higher Council Tax levels generally have been impacted by historic underfunding, usually owing to increasing relative needs that have not been recognised by the local government funding systems over a significant time period. It is perverse that the Government continues to compound this problem by reducing future funding for these same councils.

5.9 Dedicated Schools Grant and Schools Funding

The Dedicated Schools Grant (DSG) is a ring-fenced grant that is allocated to local authorities to meet their responsibilities for early years' education, the funding of schools and for provision and support for pupils with special educational needs and disabilities and for pupils requiring alternative provision. The grant is allocated in four "blocks" and the Havering's allocation for financial year 2022-23 is shown in table 1 below.

Previously, shortly before the start of the academic year 2019-20, the Government announced a £14 billion cash boost for schools over three years. The third and final year of the cash boost, was 2022-23 where a further £2.3 billion was committed.

Since then, as part of the Autumn Spending Review 2021, the Government have announced an additional £4.7 billion for schools in England by 2024-25, over and above the previous Spending Review settlement for schools in 2022-23.

For 2022-23, outside of the DSG settlement, there is a new £1.2 billion ring-fenced grant of Schools Supplementary Grant, which is to be used to cover the costs of the Health and Social Care Levy cost and wider costs, which also includes the National Insurance increase from April 2022, funding the move towards a starting salary of £30k for new teachers, and for continuing Covid recovery programmes.

Announcements followed in November and December 2021 confirming various elements and provisional allocations. Funding for early years provision has increased by £160m. The Government has now announced updated calculations reflecting the latest pupil numbers (using the January and October 2021 census data). Each local authority will, as usual, receive funding in four blocks, all of which have now been confirmed for 2022-23 (prior to recoupment of funding for Academies, which will be finalised in the coming months):

Table 4 - Havering's DSG allocation

	Schools Block						High Needs Block	Early Years	Central School Services Block	Total DSG
Year	**Primary Funding per pupil (£)**	**Secondary Funding per pupil (£)**	**Pupil number allocation (£m)**	**Premises, pupil growth, falling rolls (£m)**	**NNDR (£m)**	**Allocation (£m)**	**Allocation (£m)**	**Allocation (£m)**	**Allocation (£m)**	**Allocation (£m)**
2022-23	4,667.87	6,285.13	201.78	1.61	2.34	205.74	36.58	19.73	1.66	263.71
2021-22	4,559.26	6,097.05	193.60	1.60	2.24	197.43	31.89	20.74	1.60	251.65
Diff	108.61	188.08	8.18	0.01	0.10	8.31	4.69	-1.01	0.06	12.06

Notes:

1. All of the above figures are before recoupment by the DfE for pupils attending academies, non maintained special schools and post 16 special educational needs provision.
2. The additional Schools Block funding includes funding for an increase of 296 pupils in Havering schools.
3. The Early Years block is indicative and will be recalculated based on the January 2022 and 2023 early years censuses.

- **Schools Block** - The allocations to local authorities include a 3% increase in the formula factor rates within the national funding formula, with at least £5,525 for every secondary school pupil, and £4,265 per primary pupil. Local authorities are required to ensure that these minimum per pupil levels are delivered in constructing their local funding formula although many schools will already be above these levels. In Havering this applies to ten primary schools and one secondary school.

  Following agreement with the Schools Funding Forum and consultation with all schools, Havering is able to apply the national funding formula in full with a minimum 1.2% per pupil increase for all mainstream schools and academies with an affordability cap of 2.8% for schools that have received a higher per pupil increase greater than 1.2%.

  The effect on Havering schools of implementing the NFF in 2022-23 is as follows:

	No of schools receiving the Minimum Pupil Level (MPL)	No of schools receiving the minimum 1.2% increase per pupil	No of schools receiving an increase between 1.2-2.8% per pupil (on formula)	No of schools increase capped at 2.8% per pupil
Primary	6	1	12	40
Secondary	0	3	3	12
Total	6	4	15	52
	8%	5%	19%	68%

Although this provides an increase in funding for all schools in Havering, many will continue to struggle to set balanced budgets as a result of past and continuing financial pressure in having to fund national pay awards, incremental progression, increases in employer national insurance and pension contributions, inflationary increases on goods and services and Covid related costs. School governors and head teachers are therefore continuing to implement efficiencies in the costs of running of their schools in an attempt to avoid falling into deficit.

In agreeing to the formula for distribution of funding to schools in 2022-23 the Schools Funding Forum has also agreed to use £0.6m of the Schools Block to meet commitments in pupil growth and falling rolls following the reduction in funding from the DfE, and also a transfer of 0.5% of the overall Schools Block to High Needs.

Although the final DSG settlement includes Rates (NNDR) for schools, from 1st April 2022, this will be recouped from LAs and paid by the ESFA directly to billing authorities on behalf of all maintained schools and academies. The ESFA will be making business rates payments directly to billing authorities.

- **Early Years Block** – the additional £160m has been allocated to local authorities by increasing the hourly rates used to fund parents' free entitlement to early years provision for 2 year olds by 21 pence and for 3 and 4 year olds by 17 pence which is to passed on to providers.

  Havering's central government rates' of funding are as follows:

	2 year olds	3-4 year olds
2021-22	£5.74	£5.42
2022-23	£6.03	£5.59
Increase	£0.21	£0.17

  From a local authority's allocation, the pass-through rate to providers is 95% including contingencies and an inclusion fund to support access for children with special educational needs and disabilities. The remaining 5% is for local authorities to carry out their statutory duty to ensure sufficiency of provision, quality assurance, the funding of providers, data management control and business support.

  Consultation with early years providers is currently underway to confirm Havering's funding arrangements for 2022-23.

- **High Needs Block** – as with schools' funding, the distribution of funding from central to local government is through a national formula. The formula for High Needs funding includes a number of factors including historic funding, pupil population, deprivation and the number of pupils attending special schools and post 16 provision. In 2022-23 the allocations include a minimum 8% increase in the funding for pupil population.

In common with many other local authorities, Havering will have difficulty in containing its expenditure with the allocation of funding because of an increasing number of pupils and students with Education, Health and Care plans and increasing complexity of need.

- **Central School Services Block -** this block is to fund some of the statutory education functions of local authorities that in previous years has been funded from the Schools Block and an Education Services Grant. This block also allocates funding for an LA's historic commitments previously funded within the Schools Block. Statutory functions include school admissions, the funding of national copyright licences, servicing the Schools Forum and other statutory duties previously funded from an Education Services Grant.

- **Education Services Grant (ESG) -** the ESG ceased from September 2017 and local authorities now receive funding on a per pupil basis through the Central Schools Services Block of the Dedicated Schools Grant. The reduction in grant leaves a shortfall against the cost of providing LA statutory services in spite of the savings made centrally and a contribution from LA maintained schools to meet the cost of central services relating only to that sector.

  In January 2022 the DfE announced that the School Improvement, Monitoring and Brokerage Grant would be reduced by 50% for financial year 2022-23 and then removed completely from 2023-24. This follows a Government consultation in the autumn entitled 'Reforming how local authorities' school improvement functions are funded,' where 71% of respondents opposed the removal of the grant. The grant enable the LA to carry out all improvement activity, including core activities for maintained schools. The reduction of funding for this grant will lead to a shortfall of £89k in 2022-23 and £169k in 2023-24.

Table 5 – Shortfall in funding	**£m**
Estimated service costs in 2022-23	1.858
MTFS Contribution to Education Support Functions	(0.600)
DSG Central Services Block for LA central duties (previously ESG grant)	(0.688)
Contribution from schools – Education Functions	(0.320)
Shortfall	**0.250**

The intention is to manage the shortfall in funding as part of the ongoing transformational review of the service. The service will come forward with longer-term proposals for implementation aimed at minimising the future funding gap. In the meantime, a contribution from the reserves held to support the investment in education traded services will be used to supplement the funding already earmarked corporately to cover the shortfall shown above.

6 2022/23 Budget Proposals

6.1 A report to Cabinet in October updated the MTFS to reflect the latest assumptions at that time. That report set out a remaining £11.858m funding gap for 2022/23 as set out in the table below.

Table 6: Financial Position presented to October 2021 Cabinet

Updated MTFS	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures including govt grant	5.322	7.571	3.511	1.096	17.500
Demographic Pressures	5.527	4.923	3.500	3.500	17.450
Inflationary Pressures	3.544	2.557	2.557	2.557	11.215
TOTAL PRESSURES	**14.393**	**15.051**	**9.568**	**7.153**	**46.165**
Savings Proposals	-2.535	-1.150	-0.500	-0.500	-4.685
NET POSITION	**11.858**	**13.901**	**9.068**	**6.653**	**41.480**

6.2 The report was written prior to the Local Government Finance Settlement and also projected the budget position before additional savings had been built in. Since that time new data has become available and adjustments have been added.

6.3 <u>The rising cost of Social Care</u>

Adults

The cost of Adult Social Care has risen sharply through the pandemic driven by increased numbers of clients being discharged by hospitals and increases in numbers across most client groups. At the same time unit costs have significantly increased for these clients. Earlier in the year we had assumed that these numbers were spiking and would slowly reduce during the recovery period.

It has become apparent in the last few months that client numbers are actually still increasing as are the placement weekly rates. The Council is expecting these costs to potentially increase further next year (driven mainly by the National Living Wage and National Insurance increases). Complexity is increasing with more one to one, two to one and even four to one support for individuals. There have been thirty cases of this kind of multi-handed support required in the first half of 2021/22 compared to four in the whole of last year.

The costs locally are being driven at least partly by discharges from the Queen’s Hospital, Romford. Its A&E was designed to deal with 80 cases a day but as an example of the pressure they are under, in December there was a day when there were 196 cases, well above their 110 safety trigger point. The clients coming out of Queen’s and being discharged straight into care settings are being reviewed by the Council, but they are all extremely ill or extremely frail. Many have advanced dementia and can no longer be supported by elderly partners.

The medium term financial strategy had provided for additional expected costs of social care and the Local Government Finance Settlement also provided extra funding but there is still a further gap based on latest projections. The Council is working closely with its partners, the NHS and the Government to exemplify this situation and ensure that all funding available is directed towards this pressure.

Activity continues to rise across all service areas together with increases in the complexity and costs of provisions which are ongoing beyond the Hospital Discharge Programme Funding available. These pressures include:

- increasing levels of complexity at discharge leading to increases in one to one care (121s) and double handed packages,
- The ongoing impact of Hospital Discharge Programme (HDP) funded placements made above existing residential and nursing market rates, significantly in some cases, to assure a safe placement. Although we will move people to less costly placements, when feasible, this may not be a viable option once a vulnerable resident is settled into a care home setting,
- The ongoing care needs of individuals placed directly by the Health Service into care homes, and funded in the short term through HDP,
- High levels of ongoing nursing care numbers linked to ongoing system pressure and admissions.

The Council is also continuing to see a significant impact due to those who will have either refused care, or not visited the hospital as usual during the pandemic, and as these people continue to present that demand will subsequently rise, with an impact due to care being delayed due to a reluctance to engage with the health and care system.

For those already receiving care the Council has seen a significant increase in the demand for reviews followed by increases to complexity when people are being assessed, resulting in more costly packages.

More widely across the service the Council is also seeing an ongoing impact in 2021/22 in terms of Mental Health implications, Domestic Violence cases coming to the Safeguarding Team, homeless support and social care needs for those released from prison early.

The further impact of this ongoing demand is having a significant impact on Social Work Teams which limits the capacity available to complete reviews and on the potential future financial viability of the care market and local providers.

The service is taking action to mitigate problems where possible:

- The strength based approach, Better Living, is being focused upon by frontline teams to ensure clients maximise community resources over Council lead care.

- A savings plan is in place across the Service to review complex packages and 121s to mitigate increased costs.
- Work is underway with Health Service partners to mitigate nursing care pressures as far as possible by reviewing discharge pathways and scrutinising discharges.

Children's

Children's Services have also experienced a significant increase in demand in 2021/22 causing a budget overspend driven by the factors below.

- Increased placements for Looked After Children
- Increased placements for Children with Special Educational Needs (SEND)
- Additional Transport costs aligned to SEND placements
- Increased numbers of Unaccompanied Asylum Seeking Children (over 18s)

The number of people presenting into the system has increased over the last year as shown in the statistics below:

- Rates of contact to the department (reports of children suspected of suffering harm) up from 8,000 in 2018 to 14,000 in early 2020, 16,000 in 2021.
- Early Help interventions and the Innovation Programme saw Havering's rate of Children in Care decrease over five years to 2020, steadily rising since.
- Number of Care Leavers up from 189 in 2018-19 to 270 pre-pandemic and now 300 of which Unaccompanied Asylum-Seeking Children (UASC) up from approx 50 to 80.

The department has already started implementing measures to contain the current overspend and additional measures are being formulated which may enable the current position to be improved upon, rather than increasing. However, there are many risks associated with this assumption, as the demand data trends indicate increasing numbers of children requiring support unless action is taken to address pressures.

- Savings on placement costs (fostering) are already being achieved following the decision by Members to improve the offer to foster carers in July 2021. The service is able to offer up an MTFS saving in 2022/23 of £0.125m from the ongoing in-house foster carer recruitment project. As of today, we have a record high number of in-house foster carers currently.
- Remodelling and reorganising the Department via comprehensive workforce development, to reduce reliance on agency social workers

and managers by increasing our permanent workforce. Implement a pod of newly qualified social worker posts (less costly, lower caseloads).

- Arrest the increasing rate of referrals by working with and in schools to support them to safely 'hold' families below threshold for social care intervention
- Realign the Families Together service, working with families via earlier intervention and decrease the number of Looked After Children (LAC) by promoting return to home as a viable option.
- Develop and implement a Family Hubs model.
- Recommence Passenger Transport review.
- Continue the review of placements / step down and high cost placements.

Social Care Summary

The budget provides for the expected additional costs of these social care pressures in 2022/23. Additional Government funding for 2022/23 and the proposed 1% Adult Social Care Precept has partly closed the gap but the Council has had to make significant savings to make this possible. The 2021 Spending Review has indicated that no additional funding will be released in the 2023/24 settlement which will place authorities like Havering in a very difficult position if demand continues to increase.

6.4 <u>Additional Costs of Levies</u>

The Medium Term Financial Strategy provided for the expected increases in levy costs as set out in the papers from the various levying bodies. Two additional costs have recently been identified which will cause a further pressure to Havering.

- ELWA – Waste Disposal Costs

The Levy to ELWA for waste disposal is predominantly apportioned between the four constituent boroughs based on audited tonnages in the previous year. The 2020/21 final tonnages have shown that all 4 boroughs have an increase in tonnage but Havering's increase is proportionately greater than the other boroughs. This has directly increased the levy cost for 2022/23.

- LPFA – Costs of the Pension Fund Authority

The LPFA is an Administering Authority for the Local Government Pension Scheme. One of LPFA's functions is to discharge the historic pension liabilities of the Greater London Council (GLC) and Inner London Education Authority (ILEA). Based on the latest valuation there is currently a funding deficit, in relation to these GLC/ILEA liabilities and there is a pan London agreement for boroughs to cover this cost.

6.5 <u>Increased Cost of Inflation</u>

The Council seeks at all times to contain inflationary costs through efficiency and effective procurement. The latest Government figures however project inflation to exceed 4% in 2022 which is well in excess of the 2% currently provided for in the MTFS. The Council has therefore reviewed and uplifted the provisions for inflation in the MTFS.

6.6 Saving Proposals

The October Cabinet paper set out five focus areas where the Council was going to aim to find savings and efficiencies to help balance the 2022/23 budget. It was always recognised that these initiatives would both generate savings for 2022/23 but also make savings over the remaining years of the medium term financial strategy.

The table below sets out the savings that are proposed to be built in to the budget process. It should be noted that work is ongoing on these savings initiatives and it is fully expected that this will lead to further savings in the medium term.

Table 7: New Savings Proposals

New Savings Proposals	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
Business Intelligence Savings	-1.150	-0.600	-0.600	-0.600	-2.950
Regeneration Savings	-0.263	0.099	0.000	0.000	-0.164
New models of delivery savings	-0.797	-2.884	-0.500	-0.500	-4.681
Spans and Layers/Staffing	-7.000	-7.000	0.000	0.000	-14.000
Adults new savings	-3.189	0.000	0.000	0.000	-3.189
Provision for non delivery	2.000	0.000	0.000	0.000	2.000
New Savings	**-10.399**	**-10.385**	**-1.100**	**-1.100**	**-22.984**
Existing Savings	-2.629	-1.150	-0.500	-0.500	-4.779
TOTAL SAVINGS	**-13.028**	**-11.535**	**-1.600**	**-1.600**	**-27.763**

Further details of these savings proposals can be found at Appendix A

6.7 Budget Consultation

The Council has undertaken a comprehensive budget consultation process aimed at understanding the views and priorities of the public and key stakeholders.

The budget consultation, which included ratepayers, used two methods.

- An online Consultation paper
- Two face to face sessions with members of the public to ask for views on Council services and the budget position

Westco were asked to undertake this year's budget consultation through focus groups and analysis of an online survey. The following analysis is taken from the Executive Summary of their full report.

Within the survey, respondents were asked what they feel the most important issues are that the borough is likely to face in the next year. By weighted rank these are:

- Social Care provision
- National Health Service / Healthcare
- Crime / Community Safety

In relation to areas of personal concern, the top three things that respondents are personally most concerned about are:

- Cleanliness of street and local area
- Anti-social behaviour in my community
- My physical health and fitness

There was some alignment of views on this among the focus groups, commonly identified negative quality of life factors in the younger focus group were street cleaning and bin collections and the older group highlighted litter as an issue. The older focus group also felt community safety was an area the council needs to improve on.

The focus group participants associate value for money with efficient well-run services. The key value for money council services include street cleaning, bin collection, parks, street lighting and community safety and so there is a lot of cross over here with the survey regarding important issues for the area and for individuals personally.

Respondents to the survey were asked about their support for an increase to council tax. Almost three in five respondents (57%) said they support some form of increase, with two in five saying they do not support an increase (41%).

However, it is important to note the difference in opinion among age groups on this question. Those aged 25 to 44 are much less likely to agree to any rise (60%) compared with those aged over 45 (31% say they do not support any rise). It should also be noted that the survey had a higher-than-average proportion of older respondents (68% aged 45+) to the survey and so the data is skewed towards the views of that group for this question and across the survey results generally.

The majority of participants in both focus groups said they did not want to see any rise in council tax. A minority were split on whether to raise council tax by one or two per cent.

Between two in five and two thirds of survey respondents agree with the savings proposals, apart from the proposal around staff reduction – which saw less than half in support.

Proposal	Agree	Neither	Disagree
Better use of data through Business Intelligence	66%	23%	8%
New models of delivery	63%	25%	10%
Prevention	61%	30%	6%
Regeneration proposals	58%	27%	13%
Staff reduction through efficiency	45%	22%	31%

During the focus groups there was also general agreement with the proposals but there were concerns about reducing staff numbers by 400 due to the impact this could have on customer service and other services.

When asked in the survey if they had to remove £1 from one of a list of service areas, the areas for removal were corporate services (24%), support services (12%), highways, traffic and parking (12%) and libraries (11%).

During the focus group the services that saw the least prioritisation by the under 40s were, libraries, planning and community services. Libraries and planning were also among the services given the least prioritisation by the over 40s.

When asked in the survey if they had to add £1 to a list of services areas, the top responses were adult social care (12%), corporate service (11%), children's social care (8%) and enforcement and safety (7%). Children's social care was mentioned by both focus groups as being an area for prioritisation.

The full analysis of the budget consultation is set out in Appendix B1 and Appendix B2. The budget proposals set out in this report largely reflect the feedback from residents on areas for priority spend especially adults and children's social care. The proposed Council Tax increase is broadly in line with residents views.

The proposed staff reduction was less supported than other savings areas but the Council needs to progress this initiative if it is to keep the council tax increase down to 2%. One of the key messages from the residents' feedback is their recognition of the difficulty facing the Council in trying to reconcile residents' service needs with the desire to keep the council tax as low as possible.

6.8 Balancing the budget and setting the 2022-26 Medium Term Financial strategy

These proposals together with the Local Government Finance Settlement have significantly closed the budget gap for 2022/23. It is recommended that the remaining balance is closed by applying a 1.99% general increase to Council Tax and a 1% Social Care Levy, an overall increase of 2.99%. Increasing Council Tax is only ever considered when all other options have been exhausted. Given the extreme and continued pressure on social care this is a necessary measure to balance the budget.

The table below sets out the journey from the Medium Term Financial Strategy position reported in the October Cabinet report to the current position.

Table 8: Medium Term Financial Strategy updates since October 2021 Cabinet

Update to the MTFS since October	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
OCTOBER CABINET	**11.858**	**13.901**	**9.068**	**6.653**	**41.480**
Additional Social Care Pressures	8.746	0.000	0.000	0.000	8.746
Increase inflation provision	1.802	-0.323	0.167	0.167	1.813
New Savings Proposals	-10.399	-10.385	-1.100	-1.100	-22.984
Impact of Financial Settlement	-7.227	3.200	0.000	0.000	-4.027
Corporate Pressures/Reductions	-2.710	1.497	1.681	2.930	3.398
Increase Budgetted Cont to Balances	2.000	0.000	0.000	0.000	2.000
ASC Precept Increase	-1.360	0.000	0.000	0.000	-1.360
1.99% Council Tax increase	-2.710	0.000	0.000	0.000	-2.710
UPDATED POSITION	**0.000**	**7.890**	**9.816**	**8.650**	**26.356**

Putting all this together gives a balanced budget for 2022/23 but a medium term financial gap to 2026 of £26.4m.

The future year gap is reflective of ongoing pressures in the following areas:

- Demographic pressures reflecting expected rises in demand for social care
- Inflationary pressures – The MTFS recognises that inflation is currently rising and so provides for assumed future contractual increases and pay awards
- Corporate pressures including the financing cost of the capital programme, increased costs of levies and increased costs of concessionary fares. It should be noted that concessionary fares costs went down for the last two years due to reduced footfall and the expected increase is partially reflective of usage rising back to pre-pandemic levels

- The MTFS also provides for the expected loss of Government grant as the current one year settlement is replaced by new formulae which include Levelling up and the fair funding review

The MTFS also assumes further savings particularly in 2023/24 where a further £11.5m is planned on top of the savings already in the 2022/23 budget. These savings will be closely monitored and reviewed to ensure they are robust and deliverable.

The gap for the Council to close rises by approximately £9m each year meaning that the Council is likely to have a £35m gap over the next 4 years to 2026/27

The table below sets out the revised Medium Term Financial Strategy setting out where the expected pressures will be.

Table 9: 2022-26 Medium Term Financial Strategy

MEDIUM TERM FINANCIAL STRATEGY	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures	4.657	8.995	5.192	4.026	22.870
Demographic Pressures	14.322	4.996	3.500	3.500	26.318
Inflationary Pressures	5.346	2.234	2.724	2.724	13.028
Impact of Financial Settlement	-7.227	3.200	0.000	0.000	-4.027
Savings Proposals	-13.028	-11.535	-1.600	-1.600	-27.763
ASC Precept Increase	-1.360	0.000	0.000	0.000	-1.360
1.99% Council Tax increase	-2.710	0.000	0.000	0.000	-2.710
UPDATED POSITION	**0.000**	**7.890**	**9.816**	**8.650**	**26.356**

The Council Tax requirement for 22/23 will be £140.823m. Appendix G sets out more detail on the new Council Tax levels

6.9 On 3rd February 2022 the Chancellor announced a one off payment of £150 to all Council Tax payers with properties in the Band A - Band D range. This payment will be in recognition of rising energy prices. The payment will be centrally funded by Government and be processed in April. The payment will operate outside of the council tax system, using council tax lists to identify eligible households. The payment does not affect council tax setting and the calculation of bills and the presentation of charges will not be impacted

7 Taxbase

7.1 The Council's taxbase is projected to increase during 2022/23. This is as a result of an increase in the number of chargeable properties and a reduction in single person discounts. The Band D taxbase for Havering is set at 89,390 Band D equivalents. This is an increase of 1,147 Band D equivalents in comparison to 2021/22.

8. Updating The Medium Term Financial Strategy 2022-2026

8.1 The budget process has closed the gap for 2022/23 enabling a balanced budget to be set. There is however still a significant gap in future years of £26.4m to 2026. The plan is currently over 4 years including 2022/23 but the gap to 2026/27 is expected to rise to £35m reflecting further demographic and inflationary pressures

8.2 <u>Closing the Medium Term Financial Gap</u>

At this stage it is prudent to flag the continuing risks over the next few years but there is work ongoing which it is expected will close the gap for 2023/24 during 2022. This includes:

- Estimation of Future Finance Settlements

The Financial Settlement is for 2022/23 only which makes projecting future years very difficult. It is expected that the next financial settlement will be multiyear but at the moment there is a huge amount of uncertainty for 2023/24 onwards. Many of the grants announced are one off and other existing grants are expected to be rolled into the overall Settlement Funding Assessment (SFA) from 2023/24 onwards. The Council has adopted a prudent approach to these grants by making provision in the MTFS for the reduction or loss of these grants

As stated elsewhere in this report Havering is experiencing unprecedented pressures on the Adult Social Care budget and will continue to lobby the Government to raise awareness of these issues. The funding reforms planned by the Government next year need to fully factor in the social care pressures boroughs like Havering are experiencing. Havering has been penalised for years through grant funding being reduced due to the borough having a high taxbase and Band D Council Tax level. Funding local government this way forces a further Council Tax increase which then accentuates the problem.

- Review of corporate and demographic pressures

The Council has adopted a prudent approach to future corporate and demographic pressures. These assumptions will all be tested during the first part of 2022 and the assumptions will be updated accordingly. This will include an evaluation of any lasting impact of COVID and the associated Government support.

- Specific Reviews of Adults and Children’s Social Care budgets

The Council has developed metrics to measure the numbers and unit costs of its clients receiving social care support. These metrics have been used to model future demand and cost in the MTFS and moving forward these models will regularly be updated in both the 2022/23 monitoring and the next iteration of the MTFS.

- Further Savings

The budget is a cyclical process and opportunities to save money, modernise and improve efficiency happen every year. This is a normal process that every authority undertakes every year regardless of the financial position moving forward. As stated earlier in this report the Council is fully committed to significant digital and IT enhancements which will lead to efficiency and savings.

- Staffing reduction through efficiency reducing headcount by approximately 400.

  Undertake a Council wide review of staffing structures to delete vacancies, reduce management costs and remove activities that do not benefit residents.

- Updated Capital Financing Assumptions

  The medium term financial strategy assumes a prudent position on all capital schemes including the major regeneration schemes. If the schemes are able to progress as forecasted in the business plans then the level of income generated will potentially exceed the current planned position. The Council has also taken a prudent position on future interest rates as recommended by our treasury advisors. Over time these assumptions can be updated.

9 Fees and Charges

9.1 The Council annually reviews its fees and charges to customers. **Appendix C** sets out the proposed fees and charges for 2022/23**.** In setting the fees and charges the Council takes account of:

- Full cost recovery where appropriate
- Statutory fees rates
- Inflation
- Benchmarking and other market comparators
- Delivery costs for social care providers.
- Current market conditions for any increase

10 Contingency, Reserves and Balances

10.1 The Council maintains a £1m central contingency budget as a sensible and prudent measure to mitigate unforeseen in-year events. When departments show an in-year overspend position the expectation is that they will develop an action plan to mitigate the pressure. The medium term financial strategy recognises demographic and inflationary pressures so the central contingency is maintained purely for unforeseen events.

10.2 <u>Earmarked Reserves</u>

Earmarked Reserves are time limited reserves for specific purposes. Some reserves such as the Insurance Fund will need to be replenished each year in line with projected future claims whilst others will be expected to be spent over the next four years. The Council makes decisions to set up reserves where funding is required in future years as projects are identified.

It should be noted that the Council will always seek to contain costs and minimise the need to draw on the planned reserves where possible. The Council reviews reserves through the year and particularly at year end in order to ensure appropriate funds are set aside for future year projects and requirements and funds are released where they are no longer required.

10.3 General Balances

The General Fund Balance stood at £10.9m at 31 March 2021. The Council has a further planned contribution built into the 2021/22 budget which will bring the general reserves up to £18.9m at 31st March 2022. The continued pressures on social care following the pandemic has resulted in a significant overspend being predicted in the current revenue monitor. The Council is working tirelessly to reduce this overspend but the outturn position may result in a draw on the general reserves position. The Council will seek to avoid this if possible as it would delay the objective of building reserves up as set out in previous budget reports.

The Council is fully committed to building up reserves in the medium term to the £20m level set out in previous budget reports. The medium term financial plan includes provisions to move towards this target.

11 The Capital Programme and Strategy

11.1 The Capital Strategy and Programme is presented in a separate report on this agenda. The Medium Term Financial Strategy takes full account of the interest and borrowing cost of the proposed programme. This includes the revenue implications of a number of new bids which are included for approval by Council.

11.2 The Table below sets out the proposed General Fund Capital Programme for the next 5 years.

Table 10: Five year Capital Programme to 2026-27

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults Services						
Adults - DFG	4.945	0.000	0.000	0.000	0.000	4.945
Adults - Other	0.899	1.618	0.000	0.000	0.000	2.517
Adults Services Total	**5.844**	**1.618**	**0.000**	**0.000**	**0.000**	**7.462**
Customer, Communication & Culture						
Leisure - Other	5.535	0.000	0.000	0.000	0.000	5.535
Leisure - SLM	0.100	0.838	3.724	0.000	0.000	4.662
Libraries	0.039	0.000	0.000	0.000	0.000	0.039
Customer, Communication & Culture Total	**5.674**	**0.838**	**3.724**	**0.000**	**0.000**	**10.236**
Transformation	**6.199**	**6.462**	**3.280**	**1.980**	**1.180**	**19.101**
Childrens Services	**0.944**	**0.891**	**0.000**	**0.000**	**0.000**	**1.835**

Environment						
Environment - Highways	25.239	2.970	0.750	0.000	0.000	28.959
Environment - TFL	1.957	0.000	0.000	0.000	0.000	1.957
Environment - Parks	0.724	0.500	0.000	0.000	0.000	1.224
Environment Total	**27.921**	**3.470**	**0.750**	**0.000**	**0.000**	**32.141**
Registration & Bereavement	**0.410**	**0.000**	**0.000**	**0.000**	**0.000**	**0.410**
Asset Management						
Corporate Buildings	0.659	0.000	0.000	0.000	0.000	0.659
Health & Safety	0.100	0.024	0.000	0.000	0.000	0.124
Schools Conditions Programme	4.744	0.100	0.000	0.000	0.000	4.844
Schools Expansions	0.490	7.500	21.730	0.000	0.000	29.720
Vehicle Replacement	2.000	0.000	0.000	0.000	0.000	2.000
Asset Management Total	**7.993**	**7.624**	**21.730**	**0.000**	**0.000**	**37.347**
ICT Infrastructure	**5.075**	**3.980**	**1.720**	**1.650**	**1.650**	**14.075**
Regeneration	**167.993**	**198.106**	**23.626**	**2.656**	**14.395**	**406.776**
Total GF Capital Expenditure	**228.053**	**222.989**	**54.830**	**6.286**	**17.225**	**529.384**
HRA Capital Expenditure	170.642	180.971	195.315	180.575	176.513	**904.017**
Total Capital Expenditure	**398.695**	**403.961**	**250.145**	**186.861**	**193.738**	**1,433.401**

12 Budget Risks and Uncertainties

12.1 There are a number of risks and uncertainties which could potentially impact on the 2022/23 budget and also medium term forecasting. This section summarises those risks. **Appendix D** sets out these risks in more detail.

12.2 The Government have a number of reviews they have promised to implement. At the moment the financial impact of these reforms are unclear and for Adult Social Care in particular the full cost of the new care system is unknown. Other reviews such as fair funding and levelling up are expected in 2023/24 and it is hoped that the Government will provide exemplifications as soon as possible to show their intentions.

- **Reform of Adult Social Care**
  The Government has set out the national funding position for adult social care over the medium term. Funding has been provided with grant conditions to set the new system up but it remains to be seen if either the funding is sufficient to create the system or potentially more significantly whether the future funding planned will be enough to cover the actual costs when it is up and running.

- **Fair Funding Review and Levelling Up**
  The Fair Funding Review is expected to be wide ranging and will cover all cost drivers for local authorities. It is unclear at present how the government will choose to weight the various formulae and datasets available. There is therefore a direct risk to Havering's funding if the demographic pressures the borough is facing are not fully reflected in the revised formula. The initial modelling of the impact of the review implied that the overall effect would be to re-distribute funding away from London. Equally the Levelling Up

review has promised to redirect funds to other areas of the country and potentially away from the south east. Unless there is new funding for Levelling Up this will almost certainly be detrimental for London Boroughs and Havering.

- **Loss / Reduction in Business Rates**
  The downturn in the economy has hit businesses hard. There is a significant and ongoing risk of business failure in the borough. This in turn will reduce the business rates collectable and also the level of bad debt. The Council almost certainly will bear a proportion of the lost income from reductions in the total amount of collectable business rates.

- **Business Rate reform**
  The Government still accepts that reform of the Business Rate system is necessary although it is unclear exactly when and how they are planning the reforms. It is equally unclear what the impacts of this reform will be and as such this is a risk to the medium term position.

- **New Legislation/Burdens**
  The Government periodically reviews national service provision and can transfer new burdens onto local government. When this happens there is always a risk that either the amount or the funding mechanism results in a new pressure for authorities. This is a risk particularly relevant to the recovery period following the COVID pandemic where it is entirely possible the Government will place expectation and burdens on local government without the ongoing funding to support those pressures.

- **Changes to Interest Rates/ Inflation**
  The national economic situation is uncertain. As a result changes to interest rates and inflation levels are possible. An increase in inflation will potentially result in pressures on both pay and price locally and nationally.

- **Demographic pressures**
  The borough’s increased and aging population has resulted in demographic pressures over a number of years. Demographic pressures continue to be a significant risk both through government underfunding and accelerated population growth in the borough.

- **Pension Fund Performance**
  The medium term financial strategy takes account of the latest triennial actuarial review of the pension fund. There will be a further review in 2023 and there is a risk of increased general fund and HRA contributions from April 2024 if the deficit has increased on the fund.

- **In-year pressures and overspends**
  The 2022/23 budget will be a robust balanced budget that takes account of all known pressures facing services. There remains a risk however that increased demand and other demographic pressures over forecasts will result in service overspend next year.

- **Future waste disposal arrangements**
  The current contractual arrangements with Renewi expire in 2027. There is likely to be significant investment required to secure future arrangements after that date. Future potential costs are therefore volatile and subject to those negotiations. It is expected however that the levy payable after 2027 will reduce considerably

- **Risks associated with the delivery of the regeneration programme**
  The Council has an ambitious and far reaching regeneration programme which will rejuvenate key areas of the borough. There are however associated risks with the programme which are set out in detail in the business cases of the various schemes. The risks include:

  - **Cost of delays:** Delays to the programme result in some work needing to be repeated and updated and the cost of finance being incurred before it is required.
  - **Additional cost of re-design and changing plans:** If the plans are changed significantly this can lead to additional costs if the new designs are more expensive but also the delay costs as described above and potentially abortive costs on the original plans.
  - **Impact of a downturn in the economy including housing prices:** The schemes assume sales valuations in order to achieve returns on investment. Clearly a downturn in the Housing market will affect these assumptions.
  - **Impact of inflation:** The models assume costs over the medium term. If inflation increased significantly this would have a direct impact on these costs.
  - **Changing build costs/variations:** As the schemes progress it is possible that variations to the original specifications or additionality is required to deliver the required outcomes.
  - **Changes in legislation:** All assumptions are based on current regulations. Should any national legislation change regarding building works then this could affect the overall costs.
  - **Changes in Government legislation regarding MRP.** The Government are considering changing the way MRP is calculated for investment in joint ventures which could impact on the level of MRP required on capital expenditure.
  - **Issues with land eg. contamination:** There are currently no expected issues with any of the land involved in the various regeneration schemes. It is possible albeit unlikely that an issue may emerge as the projects progress.
  - **Overall financial risk:** 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. Adverse movement in the assumptions caused by any of the above reasons will affect the financial modelling set out in the business cases and is therefore a material risk to the Council.

In mitigation, the Regeneration Joint Ventures include a number of mechanisms for the partners to exit from arrangements where schemes become unviable or for individual projects to be paused until conditions improve.

13 Chief Financial Officer (S151 Officer) statement regarding the robustness of the budget and MTFS

13.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Authorities are required to consider their Chief Financial Officer's report when setting the level of council tax.

13.2 Robustness of Reserves and Balances

The budget has been prepared using a four year Financial Strategy. The Government has provided no assurance over future funding beyond 2022/23 and as such planning even a four year framework is very difficult. If the Government produces exemplifications of future intentions and then a multi year finance settlement in December 2022 this will provide clarity.

The COVID pandemic has presented challenges to local government in a way that was not imaginable two years ago. The Council has acted swiftly and responsibly and has been able to continue its business in a responsive and professional manner. The Council recognises the ongoing impact of COVID particularly in Social Care demand and unit costs and has built this into the medium term financial strategy

The need to have a robust budget and medium term financial plan underpinned by adequate reserves has never been greater and this has been at the forefront of the Council's planning process this winter.

In setting the 2022/23 budget the process has taken account of the following factors

- The forecast position as set out in the Cabinet report in October 2021
- The outcome and forecast impact on the Council of the Provisional Local Government Financial settlement as presented in this report.
- The Spending Review announced in October 2021.

As the development of the budget for 2022/23 has progressed, the position has been the subject to review and challenge with Heads of Service, the Senior Leadership Team, the Leader of the Council and Cabinet Members. Due consideration has been given to the delivery of corporate priorities in this challenge process and this is reflected in the detailed budget proposals.

Budget proposals have been developed within the context of current and future service plans. The Council has reviewed its pressures using the latest demographic and inflationary trends. In respect of savings, the proposals have been risk assessed and will be monitored closely during the year. A review of legislation takes place on an ongoing basis as part of the budget development process to assess possible implications.

The Council has continued to identify efficiencies and cost reductions for inclusion in the budget. In 2022/23 the budget includes significant savings from reviews of posts across the authority. The scale and complexity of this process means that it is once again prudent for the Council to include a provision for non achievement which has been included in the budget. Departments will work hard to achieve all savings and if this provision is not required then the budget will be available for other priorities or contribution to reserves.

At a more detailed level, budgets have been built having due regard to:

- Staffing changes incorporating proposed restructures
- Inflation
- Contractual commitments
- Existing budgets
- The proposals for budget adjustments and savings
- The impact of changes to specific grants.

The budget includes a contingency that will provide a reasonable level for unforeseen issues that could arise during the year. This has had due regard to a risk assessment. Further information on the basis of this is set out later in this statement.

A review of the 2021/22 significant budget variances has taken place to assess any impact on the 2022/23 budget outside of the proposals in order to:

- Ensure action plans are in place where a possible adverse variance could occur;
- Ensure use of any possible additional favourable variance is considered in the context of the overall strategy;
- Inform the risk assessment of contingency and reserves.

This year this has been particularly apparent in Adult Social Care where there have been significant ongoing pressures in 2021/22. A detailed review of all these pressures has been undertaken in order to set a budget for 2022/23 which should meet this demand.

13.3 The Adequacy of Estimates Reserves and Balances

Local authorities are required to maintain adequate balances to deal with unforeseen demands upon financial resources. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although a view can be sought from the external auditors it is not their responsibility to prescribe or recommend the appropriate level. In setting the level, the Authority should take into consideration the advice of their Chief Financial Officer (CFO), taking into account all local relevant circumstances.

The General Fund Balance stood at £10.9m at 31 March 2021. The Council has a further planned contribution built into the 2021/22 budget which will bring the general reserves up to £18.9m at 31st March 2022. The unprecedented financial situation due to increased costs of social care following the pandemic has resulted in a significant overspend being predicted in the current revenue monitor. The Council is working tirelessly to reduce this overspend but the outturn position may result in a draw on the general reserves position. The Council will seek to avoid this if possible as it would delay the objective of building reserves up as set out in previous budget reports.

The historic rule of thumb from the now defunct Audit Commission was that 5% of net budget should be held as a General Reserve that should be untouchable except in major emergencies. The Council holds slightly more than this at 7% of net budget. However, the volume and complexity of the issues facing local government, the lived experience of the COVID pandemic and the level of public expectation of councils from their residents suggests this is no longer sufficient. The medium term financial strategy includes proposals to increase balances towards the target of £20 million but this will be subject to no further funding gaps from the COVID pandemic.

Members will be aware that the working balances provide protection against unforeseen events that could impact on the authority. Reserves must be used carefully and can be used only once. As reflected in the revenue budget strategy, the Council will not utilise General Fund Balances to subsidise its budget or suppress council tax increases. Further it will not use any specified or earmarked reserves to subsidise its budget or to suppress council tax increases on an on-going basis as this is neither financially sustainable nor prudent.

It may, in exceptional circumstances, utilise appropriate specified or earmarked reserves to bridge short term forecast budget shortfalls to facilitate delivery and implementation of projects and service initiatives that will generate additional income or reduce on-going expenditure to achieve a balanced budget. Approval of decisions to utilise reserves in this manner will require the appropriate approval of a robust business case including implementation plan.

The Council maintains a number of earmarked funds for specific purposes and their use is planned and approved for these purposes. Often they are used to comply with accounting policies, manage arrangements across financial years, or to fund known future commitments.

The sums established within earmarked reserves were agreed by the Senior Leadership Team as at 1st April 2021 and were fully allocated to projects or liabilities. Other reserves continue to be expended/ planned in accordance with their specific approved purpose. A review is planned to take place as part of the accounts closure process over the next few months.

13.4 Opportunity Cost of Reserves

Holding general reserves to meet unexpected events or emergencies is a necessary requirement. However, there are opportunity costs and benefits of holding cash balances, which can be measured in different ways, depending on what these resources were alternatively to be used for. For example, holding cash gives a financial benefit in contrast to using the cash to fund capital expenditure. The financial benefit would be the difference between the investment return and the total borrowing cost. At the current time due to low interest rates, these are in fact broadly neutral. However, a cost of around 4% will be incurred in respect of a requirement to make revenue provision to repay debt.

On this basis, for every £1m of cash held, the purely financial benefit could be deemed to be £0.040m per annum or approximately £0.400m per year for balances of £10 million. This is dependent on prevailing money market conditions, which in the current economic climate can fluctuate significantly. Using the balances to repay debt earlier would not achieve a matching saving given the costs around early redemption and the similarity in short-term lending rates and long-term borrowing rates. For information, £1.3m equates very approximately to 1% on the level of Band D Council Tax.

If, however, this is considered in the context of using these balances to fund one off expenditure, then the opportunity cost is the improvements that would accrue from that expenditure. This might for example be improvements in services, increased performance or some other measure and would be assessed via a business case. Such items have been considered by officers during the course of developing the MTFS, but these have not generally been included within the final proposals or the detailed budget given the broad financial constraints within which Havering is operating.

Should these items be included within the budget, they would obviously provide a basis for additional and/or improved services; with the need to appreciate that reserves exist for various reasons, and once expended, either have to be replenished, or the funding terminated. This is the opportunity that is being potentially foregone by holding general reserves. However this is only relevant to the extent that such proposals align to Council's priorities and Medium Term Financial Strategy.

It is important that in considering the level of working balances that the issue of the opportunity costs and benefits of such an approach is also considered and that Members weigh up the potential benefits against the risks. The other important factor in making this judgement is to consider is that balances can as indicated only be spent once, and can realistically only be used to support one off expenditure, or to allow time for management action to be implemented to address ongoing expenditure requirements.

As stated above, the use of significant levels of balances to fund ongoing spending or reductions in Council Tax can pose material financial risks, especially given that the Council's ability to generate funds to replenish reserves through Council Tax is severely restricted by the Council Tax capping regime.

Hence the level of reserves held overall requires a balance to be struck between the opportunity cost of holding balances against the unknown risks facing the Council and the need to safeguard the provision of local services if such risk were to crystalize.

13.5 Review of Reserves and Contingency

The assessment of the sums required for reserves and contingency purposes is reviewed regularly, taking into account the various risks facing the Council, the level of risk, the actions taken to mitigate risk, and the financial assessment of the risk. The review includes consideration of the Corporate Risk Register, with the objective of ensuring that all risks having a potential financial impact are covered in the reserves and contingency assessment.

The Corporate Risk Register is kept under review by the Senior Leadership Team, so any changes are then reflected when the reserves and contingency assessment is updated.

13.6 Summary of Robustness of the Budget and MTFS

The 2022/23 budget and 2022/26 MTFS has been prepared taking into account the following:

- The impact of the COVID pandemic on the 2022/23 and future budgets.
- The estimated impact of underlying cost pressures, evidenced by financial monitoring reports in the current year.
- The estimated impact of inflationary pressures and pay awards. Allowance has been made for cost increases over and above the general rate of inflation where these are known.
- The estimated impact of demographic change and the effect of increasing demands on services where these are unavoidable.
- Provision for legislative change and changes to the Council's statutory responsibilities.
- The estimated impact of capital financing charges for the capital programme including regeneration and highways schemes.
- Provision for the impact of government grant changes across the lifetime of the MTFS and the continued risk of further tightening of finances in future years. The nature of the one year settlement has made this particularly difficult and it is hoped that the Government will clarify their intentions early in 2022.

Furthermore, taking into account the budget risks and uncertainties, and assuming that the recommendations set out above are agreed, the Council's contingencies and balances are considered prudent. The S151 Officer is therefore of the view that the budget is robust. However, Members' attention is drawn to the need for close monitoring of the budget and, in particular, the achievement of the targets for savings. It will be essential for firm financial management to be exercised throughout the year to ensure that expenditure is contained within budget and targets for service improvements are met.

14 Discount for Council Tax Payers Paying in Full

14.1 The Council has agreed in the past to offer a discount to Council Tax payers who pay their Council Tax in full. It is necessary for Cabinet to recommend Council to agree a specific resolution for this purpose or for any change proposed as the current assumption is that the discount remains at 1.5%. Cabinet should note that a similar discount is not permitted under business rate regulations.

14.2 Resolution

"Any Council Tax payer who is liable to pay an amount of Council Tax to the authority in respect to the year ending on 31 March 2023, who is served with a demand notice under Article 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 and who makes payment to the authority of the full balance of the estimated amount shown on that demand by 1 April 2022, may deduct a sum equivalent to 1.5% from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount".

14.3 The Council meeting in March will receive a resolution in the form required reflecting the recommendations of Cabinet.

15 Council Tax Support Scheme 2022/23

15.1 The local Council Tax Support (CTS) Scheme in Havering has been designed to support residents on low incomes pay their Council Tax. Council Tax Support rules for claimants of pensionable age are prescribed in law and can cover up to 100% of the Council Tax due. For working age claimants with disabilities and claimants without disabilities, they can receive up to 80% and 75% respectively off their Council Tax bill. Local authority Care Leavers can receive up to 100% in Council Tax Support. The rules within the CTS scheme for working age applicants have been developed the Council.

The Council proposes to maintain the current CTS Scheme for 2022 putting forward no amendment to that scheme in 2021. A copy of the 2021 Council Tax Support Scheme can be found at https://www.havering.gov.uk/downloads/download/367/havering_local_council_tax_support_scheme

In accordance with Schedule 1A of the Local Government Finance Act 1992, Full Council is required to endorse the Council Tax Scheme for 2021 before 11 March 2021. The Council has due regard for the Equality Act 2010 and the need to eliminate unlawful discrimination. Consequently, an Equality and Health Impact

Assessment is attached to this report at Appendix E. An Equality Impact Assessment was also completed in December 2019 and this can be found at https://www.havering.gov.uk/ctaxeia2020

A draft summary version of the Council Tax Support Scheme for 2021 is contained within Appendix F. A full version of the draft CTS 2021 scheme can be found at https://drive.google.com/file/d/1Y6sESoLmGdKKx1oqUElUfDSdP13L0Wqq/view?usp=sharing

REASONS AND OPTIONS

Reasons for the decision:

The Council is required to set a balanced budget in advance of the beginning of each financial year. This report sets out the process to reach a balanced budget for 2022/23 and sets out the Council's future plans for balancing the budget in the medium term from 2022/23 to 2025/26.

Other options considered:

The report outlines all the options identified for balancing the 2022/23 budget. Officers will continue to seek further options for balancing the budgets in future years.

IMPLICATIONS AND RISKS

Financial Implications and Risks

The financial implications of the Council's Medium Term Financial Strategy are fully set out in this report and are therefore implicit in the body of this report.

Legal Implications and Risks

Under S151 of the Local Government Act 1972 a local authority has to make arrangements for the proper administration of its financial affairs. . Each Member has a duty to ensure that the Council complies with its legal obligations by agreeing a balanced budget.

The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 (the 1992 Act) to set its council tax for the forthcoming year. In accordance with section 30(6) of the Act this decision must be made before

11 March of the preceding year. The Council's calculation of its "council tax requirement" in accordance with sections 31A and 31 B of the 1992 Act is reflected in the body of this report.

The Council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to monitor the Council's financial position regularly in accordance with section 28 of the Local Government Act 2003 and take appropriate action if there is any significant deterioration in its financial position

The Council is required to set a balanced budget, taking into account a range of factors, including consultation feedback, and decisions must also have regard to the Council's public sector equality duties under the Equality Act 2010.

The budget consultation and approval process is separate from individual decisions which may need to be taken for example in relation to service delivery; these may require a separate consultation process and equality impact assessment before a final decision is taken.

Local Authorities owe a fiduciary duty to council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council taxpayers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

Where consultation is undertaken it must comply with the "Gunning" principles; namely it must be undertaken at a formative stage, sufficient information should be provided to enable feedback, adequate time should be given for consideration of responses and the feedback should be taken into account in any decision taken.

Human Resource Implications and Risks

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

Equalities and Social Inclusion Implications and Risks

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to understand and include the different contributions, perspectives and experience that people from different backgrounds bring.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, gender, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council demonstrates its commitment to the Equality Act in its decision-making processes, the provision, procurement and commissioning of its services, and employment practices concerning its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing of all Havering residents in respect of socio-economics and health determinants.

Any decisions which need to be taken in furtherance of the budget proposals will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate full Equality Assessments will be undertaken and form part of the decision making process.

Health and Wellbeing Implications and Risks

The Council considers health and wellbeing implications in all the decisions it takes. The impact on general health and wellbeing is fully considered in developing the savings proposals in this report and in setting the Council's budget each year

Climate Change Implications and Risks

The establishment of the Havering Climate Action Plan signals a commitment by the Council to tackle climate change and will affect all Council policies and decisions. This budget and financial strategy has been developed with this Climate Action Plan at its forefront with good financial stewardship and procurement contributing to the Council's aim of achieving net-zero annual carbon emissions by 2040. In addition all projects included in the programme will follow the principles set out in the action plan and adhere to its key values.

BACKGROUND PAPERS

None