

## CABINET

**Subject Heading:**

**2023/24 Budget and 2023-2027 Medium Term Financial Strategy**

**Cabinet Member:**

**Councillor Christopher Wilkins**

**SLT Lead:**

**Dave McNamara**  
S151 Officer

**Report Author and contact details:**

**Richard Tyler**  
Head of Financial Strategy and Business Intelligence  
01708 433 957

[Richard.Tyler@oneSource.co.uk](mailto:Richard.Tyler@oneSource.co.uk)

**Policy context:**

This report sets out the Council's revenue budget requirement for 2023/24 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 2023/24 local government financial settlement.

**Financial summary:**

This report includes:

- the approach to setting the Council's 2023/24 budget and MTFS for the following three years
- the outcome of the local government finance settlement
- The recommended Council Tax level for 2023/24.

**Is this a Key Decision?**

Yes:

Expenditure or saving (including anticipated income) of more than £500,000.

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

People - Things that matter for residents	(X)
Place - A great place to live, work and enjoy	(X)
Resources - A well run Council that delivers for People and Place.	(X)

**EXECUTIVE SUMMARY**

The Financial position of the Council is acute and the Administration have addressed that position by taking the appropriate steps to enable a balanced budget to be set for 2023/24 and to adopt an approach to ensure that the Council can be sustained financially going forward.

The budget report is the financial articulation of the Councils new vision adopted in November 2022 “The Havering you want to be part of”. Over the next four years, adoption of the following principles will help deliver that vision, and the budget will develop accordingly over that time.

1. People - Things that matter for residents.
2. Place - A great place to live, work and enjoy.
3. Resources - A well run Council that delivers for People and Place

The report sets out the Council’s current financial situation and its approach to achieving financial balance over the period 2023/24 to 2026/27.

This report consists of the following sections:

- Introduction (Section 1)
- Background and Strategic Context (Section 2)
- The revenue monitoring position for 2022/23 (Section 3)
- The budget process (Section 4)
- The Local Government finance settlement and update on Government spending review plans (Section 5)
- 2023/24 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 2023/24 (Section 15)

## RECOMMENDATIONS

Cabinet is asked to:

- Agree the Council Tax requirement for 2023/24 to be set at £149.070m as set out in section 6 and **Appendix G** of the report *(to follow in final version for Full Council)*;
- Agree the Delegated Schools' draft budget set out in section 5.2 of this report;
- Agree a 2.99% increase in core Council Tax for 2023/24 as set out in paragraph 6.9;
- Agree an additional 2% 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 2023/24 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 Transformation.
- 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 and to administer funding, 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 2023/24.
- Note the Equalities Impact Assessment in respect of the CTS Scheme as set out in Appendix E to this report.
- Note the summary version of the Council Tax Support Scheme for 2023/24 as set out in Appendix F to this report (unchanged from 2022/23).

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

- Agree the Council Tax requirement for 2023/24 to be set at £149.070m 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 2.99% increase in core Council Tax for 2022/23 as set out in paragraph 6.8;
- An additional 2% 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 2022/23 level of 1.5%.
- Recommend to Full Council that the Council Tax Support Scheme for 2023/24 is adopted as set out in Section 15 of this report (unchanged from 2022/23).
- To note and approve an estimated £0.292m of the £0.364m Council Tax Support fund 2023 provisional allocation to be used to credit £25 to an expected 11,690 Council Tax payers in receipt of Council Tax Support during 2023/24.
- To allocate the remaining Council Tax Support funding estimated at £0.072m to the Council Tax Discretionary Reduction policy.
- Delegate to the Chief Financial Officer the power to accept on behalf of the Council all grant funding allocated to the Council by external bodies, including central government (but provided that any new application for grant funding shall be in accordance with the Council's scheme of delegations).

## REPORT DETAIL

### **1. Introduction**

- 1.1 This report presents the proposed 2023/24 budget and also an update of the Medium Term Financial Strategy (MTFS) between 2023/24 and 2026/27 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 4.99% (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.

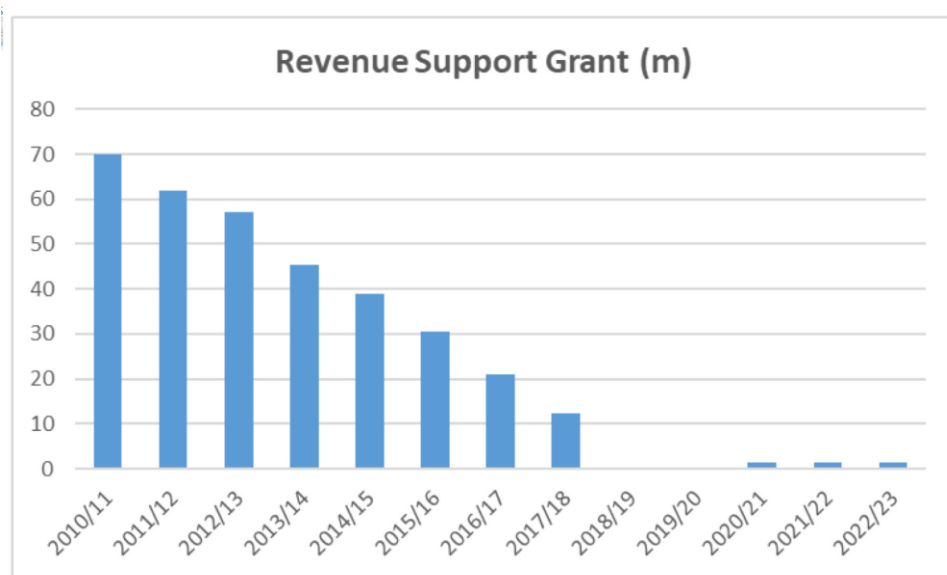
### **2. Background**

- 2.1 The 2023/24 budget process has been one of the most difficult in recent memory. The cost of provision of Council Services has risen dramatically due to sharply rising inflation rates and increases generally in the cost of living driven by world economics and the impact of the war in Ukraine.

The current economic situation has developed whilst the Council is still recovering from the aftermath of 10 years of austerity followed by the COVID pandemic.

During the austerity period from 2010 onwards Havering suffered significant cuts to its funding. Havering's revenue support grant reduced in real terms from around £70m to only £1.5m in 2022/23. The provisional settlement increased this figure to £1.9m but primarily by rolling specific grants into RSG.

**Table1: Reduction in RSG since 2010**



During this period the Council had to make substantial savings in order to balance the budget and cover the loss of central grant. This process did make the Council more efficient but this position does also result in it being now increasingly difficult to find further savings from an already low cost efficient position

The 2023/24 budget has been prepared following over 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 succeeded in providing a high quality service to its residents in very difficult circumstances. The Council has restored all services and supporting the recovery of the borough as we come out of the pandemic. There are still legacy impacts of the pandemic particularly through the number of clients the Council is supporting following discharge from hospitals.

It is quite notable that during the COVID pandemic a number of London Boroughs were able to increase their reserves through the grants being provided together with their other sources of income exceeding the level of spend in those years. This was not the case in Havering where every penny of general COVID support was used and the Council still had a significant overspend at the end of 2021/22. Havering's general balances remain at £10.9m which is below our target of £20m and set to reduce further due to the 22/23 overspend currently projected.

The current year has brought a sharp increase in the cost of living triggered by the effects of the Ukraine war which has impacted on everyone. Havering has been faced with rapidly rising costs particularly in Social Care where the pressure on our providers has resulted in sharply increasing unit costs and fees. There has been increased pressure on the homelessness budget as residents struggle to make ends meet and all costs linked to inflation have gone up.

The 2022/23 budget was set at a time of much lower inflation and unsurprisingly Havering like many other authorities have a significant reported in year pressure for 2022/23. The 2023/24 budget process therefore needs not only to project and fund future demand but also to make good the current year overspend.

A report to September Cabinet set this position out in detail and identified a £70m funding gap over the next four years in order to be able to deliver Council Services. The Government have recognised the pressures local Government is facing and the recent financial settlement has brought welcome extra funding to partially mitigate the Social Care pressures the Council is facing. The extent of the pressures built up over 2022/23 and 2023/24 has meant that even with this cash injection the Council has had to identify over £10m of further savings and efficiencies in order to balance the budget.

The Government's own funding model assumes that Local Councils will increase their Council tax by the maximum allowable; both in general terms and through the Adult Social Care Precept. The Council only ever increases council tax as a last resort but given the extreme pressures on social care and the rises in the cost of services the increase is necessary for 2023/24.

The Council has reduced its budget significantly over the last 12 years and whilst this has been largely achieved through efficiency and modernisation the continued requirement for savings places an 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.

Havering's key aims and objectives over the next four years are set out in the Council's Corporate Plan which was presented to Cabinet in November 2022. This budget and MTFs underpins the values and objectives set out in that paper and sets out the steps taken to deliver a balanced budget to enable those key objectives to be realised.

Delivery of the Corporate Plan objectives is a key measure of future success for the authority. The Council will work hard to deliver all the individual objectives set out in the Corporate Plan and the 2023/24 budget, Capital Programme and MTFs set out in this report enables that work to commence.

### **3. The Current 2022/23 Revenue Monitoring Position**

- 3.1 The 2022/23 revenue monitoring position has been significantly impacted by the increased costs of living which have particularly affected Social Care costs. Both Adults and Children's Services have increased costs both through client numbers and more significantly through the additional inflationary cost of placements. The 2022/23 budget included significant growth totalling over £15m in these services but this growth has proved to be inadequate given the high inflation rates.

The forecasted revenue position at Period 8 (November) is an overspend of £13.3m. This has reduced from the position reported to September cabinet (£19.1m) and services are working hard to reduce the overspend still further in

the remaining months of the year. The table below sets out the variances by department.

**Table 2; Revenue Monitoring Position as at 30<sup>th</sup> November 2022**

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m
A3000B-Public Health	(1.650)	(0.274)	(0.274)	0.000
A4000B-Childrens	46.496	50.588	56.106	5.518
A4600B-Adults	72.523	72.671	76.325	3.654
A5000B-Neighbourhoods	11.514	10.431	13.556	3.125
A5500B-Regeneration Programme	1.262	1.255	0.925	(0.330)
A5700B-Housing	3.883	3.860	3.860	0.000
A7000B-oneSource Shared	1.895	2.825	4.911	2.086
A8000B-oneSource Non-Shared LBH	0.361	0.071	1.274	1.203
A9000B-Chief Operating Officer	4.891	5.143	4.763	(0.380)
<b>Service Total</b>	<b>141.175</b>	<b>146.571</b>	<b>161.446</b>	<b>14.875</b>
Treasury Management	8.136	8.136	5.336	(2.800)
Corporate Contingency	1.000	1.000	0.000	(1.000)
Other Corporate budgets	22.599	17.402	19.652	2.250
<b>Overall Total</b>	<b>172.910</b>	<b>173.109</b>	<b>186.434</b>	<b>13.325</b>

It is expected that the reported position will improve by year end. This overspend is likely to have a significant impact on the Council's reserves. The Council's general reserves currently stand at £10.9m and even with a planned £2m contribution would be diminished significantly by the projected outturn. The Council will review all earmarked reserves to identify if any can be released in order to limit the impact on general balances.

- 3.2 As inflation rates went up it became obvious at an early point in the year that the 2022/23 budget was likely to overspend. The Council quickly recognised the need to incorporate the ongoing impact of the overspend into its medium term planning and accordingly an additional £10m was built into the 2023/24 budget. This is a realistic measure recognising the ongoing impact of the sharp unit cost increases in 2022.

As explained later in this report the Council has undertaken zero based exercises in the Social Care budgets in order to project potential costs and inform the budget setting process. This has been done from a starting point of the 2022/23 budget and so fully builds in the ongoing impact of the current year overspend and also the future projected impact of increased client numbers and inflation in 2023/24. These are volatile budgets and whilst the Council will always aim to budget to fully cover future costs, external market factors can influence this position.



## **4. The Budget Process**

4.1 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 developing the budget gap takes account of the following factors:

- The ongoing impact of the 2022/23 overspend
- Inflation Rates
- Demographic Assumptions
- Interest Rates and the cost of borrowing
- Current in-year pressures
- Implications of the future Capital programme
- The need to establish prudent levels of balances and reserves

4.2 The identification of demographic pressures moving into 2023/24 has been a robust process using metrics measuring both unit costs and client numbers. This process for both Adults and Children's has presented a very challenging position due to the sharp increases in the cost of living and inflation rates in 2022. There are also emerging pressures on the homelessness budget. The Government provides an annual grant to support the costs of homelessness but the increased numbers in recent months is putting this budget under strain

4.3 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 still considerable uncertainty both in the extent of the demographic and inflationary 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 On 19th December 2022 the Government published the 2023/24 Provisional Local Government Finance Settlement. The announcement broadly confirmed the additional grants which had been indicated in firstly the Autumn Statement and then a Government Policy Statement in early December.

The announcement brought welcome extra funding for Local Government which will help close the budget gap but was also disappointing as the method to distribute the additional Social Care money was still largely based on historical data. Core Band D Council Tax thresholds will be 2.99% in 2023-24. The Adult Social Care precept will be 2% in 2023-24 and 2024-25.

### **Core Spending Power**

Core Spending Power (CSP) is the Government's measure of the change in funding an authority receives from year to year. The settlement announced for 2023/24 and 2024/25 represent the largest increases in Core Spending Power (CSP) that local government has received for more than a decade. However this increase assumes that local authorities increase their Band D by the maximum

allowed. On this base, CSP will increase by 9.2% in 2023/24 and 7.9% in 2024/25.

**Table 3: Core Spending Power for Havering for 2023/24**

CORE SPENDING POWER - HAVERING	2022/23	2023/24	Increase	Proportion of increase
	(M)	(M)	(M)	%
Settlement Funding Assessment (Business Rates and Revenue Support Grant)	36.012	37.750	1.739	0.87%
Compensation for under-indexing the business rates multiplier	3.532	6.107	2.575	1.29%
Council Tax Requirement	140.823	148.721	7.898	3.94%
New Homes Bonus	0.283	0.352	0.069	0.03%
Lower Tier Services Grant	0.300	0.000	-0.300	-0.15%
Services Grant	2.382	1.342	-1.040	-0.52%
Grants rolled in to Revenue Support Grant	0.298	0.000	-0.298	-0.15%
<b>Sub Total General</b>	<b>183.629</b>	<b>194.273</b>	<b>10.644</b>	<b>5.32%</b>
Improved Better Care Fund	6.825	6.825	0.000	0.00%
Social Care Grant	8.482	14.246	5.764	2.88%
Grant rolled into Social Care Grant	0.586	0.000	-0.586	-0.29%
Market Sustainability and Fair Cost of Care Fund	0.679	0.000	-0.679	-0.34%
ASC Market Sustainability and Improvement Fund	0.000	2.355	2.355	1.18%
ASC Discharge Fund	0.000	0.957	0.957	0.48%
<b>Sub Total Social Care Funding</b>	<b>16.572</b>	<b>24.383</b>	<b>7.811</b>	<b>3.90%</b>
<b>Core Spending Power</b>	<b>200.201</b>	<b>218.656</b>	<b>18.455</b>	<b>9.22%</b>

For authorities like Havering much of Core Spending Power relates to our ability to generate income through Council Tax and as such a significant proportion of our 9.2% CSP increase relates to assumed additional Council Tax yield.

## Social Care Funding

All the main social care grants will be distributed based on the 2013/14 Adult Relative Needs Formula. £160m nationally of the Adult Social Care precept will be equalised as part of the grant distribution. Additional grants of £2.2bn will be distributed in 2023/24 (and a further £1.1bn in 2024/25). This is particularly disappointing for Havering who had made a strong case for using updated formulae to distribute the Social Care Grants rather than the chosen data which is now nearly 10 years old.

**Table 4: Social Care Grant Funding for Havering 2023/24**

SOCIAL CARE GRANTS - HAVERING	2022/23	2023/24	Increase	Haverings proportion of National Pot
	(M)	(M)	(M)	
Rollover of Social Care Grant for 2022/23 (£2.346 bn Nationally)	8.482	8.482	0.000	0.36%
Independent Living Fund (Rolled in for 2023/24) (£161m)	0.586	0.586	0.000	0.36%
Element used to equalise for 2% ASC precept flexibility for 2023/24 (£160m)	0.000	0.213	0.213	0.13%
Additional funding through existing ASC RNF for 2023/24 (£1.185bn)	0.000	4.966	4.966	0.42%
Improved Better Care Fund	6.825	6.825	0.000	0.32%
Market Sustainability and Fair Cost of Care Fund (rolled into line below)	0.679	0.000	-0.679	0.00%
ASC Market Sustainability and Improvement Fund (£562m)	0.000	2.355	2.355	0.42%
ASC Discharge Fund (£300m)	0.000	0.957	0.957	0.32%
<b>TOTAL</b>	<b>16.571</b>	<b>24.383</b>	<b>7.812</b>	<b>0.36%</b>

The table shows that Havering has received on average 0.36% of the National Funding pot for Social Care. Government exemplifications on a potential updated

formula reflecting actual need of local residents would increase Havering's share of the national pot to 0.48% and even if this had just been applied to the 2023/24 increase in grant Havering would have been over £2m better off. We have lobbied the Government on this point in the past and have done so again in our response to the settlement.

The additional government funding into social care is very welcome, however it is not sufficient for the council to be able to deliver against the objectives set by government. It is of note that despite representations made to government repeatedly over the course of 2022 to ensure a fairer settlement for adults and children's social care costs in future local government settlements, the allocation of funding has been via the ASC RNF or the IBCF distribution formula, meaning that more central London boroughs have again received significantly more funding than outer London, as set out in the table below:

**Table 5 – North East London borough allocations of social care monies 2023/24**

	<b>ASC Discharge Fund iBCF direct to councils</b>	<b>Adult Social Care Market Sustainability and Improvement Funding</b>	<b>Social care grant (CSC &amp; ASC)</b>	<b>TOTAL 2023/24</b>
Newham	2.41	3.439	7.25	<b>13.099</b>
Tower Hamlets	2.357	3.43	7.233	<b>13.021</b>
Hackney	2.332	3.29	6.937	<b>12.560</b>
Redbridge	1.413	2.613	5.51	<b>9.537</b>
Waltham Forest	1.33	2.549	5.375	<b>9.255</b>
<b>Havering</b>	<b>0.957</b>	<b>2.355</b>	<b>4.966</b>	<b>8.277</b>
Barking And Dagenham	1.501	2.138	4.508	<b>8.147</b>
City of London	0.045	0.114	0.241	<b>0.401</b>
<b>TOTAL</b>	<b>12.346</b>	<b>19.929</b>	<b>42.021</b>	<b>74.296</b>

The council considers the allocations received perverse, given for example, the older people's population in Havering is the highest in North East London (a larger driver of hospital admissions and discharge cost pressure), and the borough has the most care home beds in the footprint.

### ***Social Care Grant***

There has been an increase in this grant of some £1.265bn (less council's abilities to raise funding through the ASC Precept, therefore £1.185bn). This is to be ring-fenced for adults and children's social care, with further guidance to be published in due course, and to note Havering's allocation will be £4.966m.

### ***Discharge Funding***

An additional £600m of grant funding has been made available by government, with £300m being allocated directly to councils, with the other £300m to be distributed to Integrated Care Boards. This funding will have to be pooled in the

Better Care Fund between the council and North East London ICB. Draft Guidance suggests that the funding will need to be used to support hospital discharge, freeing up hospital beds for those who most need them. The Discharge Funding made available for the current 2022/23 winter is required to be reported on fortnightly, and it is anticipated this requirement will continue.

### **Adult Social Care Market Sustainability and Improvement Funding**

£562m nationally is to be ring-fenced to adult social care to support the government objectives of addressing discharge delays, social care waiting times, low fee rates, workforce pressures and to promote technological innovation in the sector. Havering will receive £2.355m. It is this funding in particular that is of most concern and will be insufficient for the council to make any meaningful inroads in meeting these objectives.

The council submitted its Cost of Care exercise in mid-October 2022 to the DHSC as required, ahead of government announcements that the proposed care cap on what residents would have to pay towards their care would be delayed until at least October 2025. Whilst the care cap introduction has been delayed, as noted above, there is expectation from government that councils should still move towards the assessed median cost of care over the next two financial years.

In its submission to the DHSC, the council estimated that moving to the assessed median cost care would result in a cost pressure of £9m as set out in the table below:

**Table 6: Estimated Cost Pressures**

<b>Cost Of Care *</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Residential	2,813	2,842	2,877	2,915
Nursing	2,840	2,840	2,840	2,840
Home Care	3,221	3,255	3,295	3,338
<b>Total Fair Cost of Care at 2022/23 prices</b>	<b>8,874</b>	<b>8,936</b>	<b>9,011</b>	<b>9,092</b>

\*assumes uplifting to cost of care median from April 2023 for illustrative purposes

It can be seen therefore that the allocation of £2.355m to ensure market sustainability is woefully insufficient to address low fee rates, let alone the other government objectives set out above. The council's cost of care submission stated that any move towards the median cost of care would need to be contained within any funding received from government, with no further growth planned within the council's MTFS itself. The government has also stated that there will be reporting requirements placed on the Fund, with details to be published in due course.

## Other Grants:

There has been a further round of New Homes Bonus as had been widely expected. Havering was just above the threshold and has received £352k in NHB. The Business Rate Multiplier has been frozen again at 49.9p. The Government provide a compensatory grant for the loss of Business Rates which now totals £6.1m for Havering.

The Services Grant has been reduced nationally from £822m to £464m. Havering's grant has reduced from £2.382m to £1.342m. This was expected and is partly to claw back the funds for the 1.25% NI increase that was reversed and partly to fund the Social care precept equalisation grant. The Lower tier Services grant (£294k for Havering) has been discontinued and the funding redistributed elsewhere in the settlement.

## Settlement Funding Assessment (SFA) (Retained Business Rates and Revenue Support Grant)

Havering's Settlement Funding Assessment has increased by £1.739m. This is reflective largely of increased assumed Business Rate Yield. The final actual increase will be confirmed once the DLUHC considers the Council's NNDR1 2023/24 Business Rate Estimate. This estimate was produced in January. The increase in SFA however includes £298k of specific grants rolled into RSG so the real estimated budget increase is £1.441m as shown in the table below

Table 7: Settlement Funding Assessment Havering

SETTLEMENT FUNDING ASSESSMENT	2022/23	2023/24	Increase
	(M)	(M)	(M)
Revenue Support Grant	1.454	1.899	0.445
Grants rolled into RSG	0.298	0	-0.298
Assumed Business Rates (inc Top Up)	34.558	35.851	1.294
<b>TOTAL</b>	<b>36.310</b>	<b>37.750</b>	<b>1.441</b>

## Public health grant

The Public health grant is outside Core Spending Power and is announced separately from the settlement itself. SR21 announced that public health grant would increase in line with inflation but final figures are yet to be confirmed.

## 5.2 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 2023-24 is shown in table 1 below.

Previously, as part of the Autumn Spending Review 2021, the Government announced that the total core school budget is increasing to £56.8 billion by 2024-25, a £7 billion cash increase compared with 2021-22. 2023-24 is the second year of the three-year funding settlement.

For 2022-23 budgets, the Government introduced a Schools Supplementary Grant to allocate additional funding announced in the Autumn Spending Review 2021. This was distributed to schools separately from the main National Funding Formula allocation. For 2023-24 the Schools Supplementary Grant (SSG) is being rolled into the schools NFF to ensure that this additional funding forms an on-going part of schools' core budgets.

In the Autumn 2022, central government announced that the overall core schools funding (including funding for mainstream schools and high needs) is increasing by a further £2 billion in 2023-24 compared to the previous year, on top of the £4 billion increase in 2022-23.

From the additional £2 billion injection in 2023-24 financial year, £1.6 billion is ring-fenced for mainstream schools through the new Mainstream Schools Additional Grant (MSAG), which replaces the rolled-in grant of SSG. MSAG grant is applicable to mainstream schools for the 5 to 16 year-old age range only. Schools will have the flexibility to prioritise their spending of MSAG to best support the needs of their pupils and staff and address cost pressures. The remaining £400m has been allocated to high needs funding for 2023-24.

The MSAG will be in the form of a separate grant for 2023-24 only, and the funding will be incorporated into core budget allocations for 2024-25, similar to SSG.

As part of the Autumn Spending Review 2021, funding for early years' provision has increased by £180m. In the Autumn 2022, for financial year 2023-24, central government announced an additional £20m in Early Years funding. This is applied via a year-to-year protection of 1%, and a gains cap for 3/4 year olds of 4.9%, and a gains cap for 2 year olds of 10.0%.

Each local authority will, as usual, receive funding in four blocks, all of which have now been confirmed for 2023-24 (prior to recoupment of funding for Academies, which will be finalised in the coming months):

**Table 8 - Havering's DSG allocation**

Year	Schools Block							High Needs Block	Early Years	Central School Services Block	Total DSG
	Primary Funding per pupil (£)	Secondary Funding per pupil (£)	Pupil number allocation (£m)	Premises, pupil growth, falling rolls (£m)	NNDR (£m)	SSG/MSAG (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)
2023-24	4,912.04	6,626.62	217.32	2.13	2.34	7.50	229.30	40.83	21.79	1.70	293.62
2022-23	4,667.87	6,285.13	201.78	1.61	2.34	6.07	211.80	36.33	19.73	1.66	269.53
Change	244.17	341.49	15.54	0.52	0.00	1.43	17.50	4.50	2.06	0.04	24.09

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 836 pupils in Havering schools.
3. The Early Years block is indicative and will be recalculated based on the January 2023 and 2024 early years censuses.
4. For comparative purposes, the SSG and MSAG have been identified separately.

- **Schools Block** - The allocations to local authorities include at a minimum a 2.4% increase in the formula factor rates within the national funding formula, with at least £5,715 for every secondary school pupil, and £4,405 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.

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 0.5% per pupil increase for all mainstream schools and academies with an affordability cap of 3.15% for schools that have received a higher per pupil increase greater than 0.5%.

The effect on Havering schools of implementing the NFF in 2023-24 is as follows:

	No of schools receiving the minimum 0.5% increase per pupil	No of schools receiving an increase between 0.5-3.15% per pupil (on formula)	No of schools increase capped at 3.15% per pupil
Primary	2	16	41
Secondary	1	5	12
Total	3	21	53
	4%	27%	69%

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 for teachers and support staff, and inflationary increases on goods and services. 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.

The Schools Funding Forum agreed the transfer of 0.5% (£1.1m) of the overall Schools Block to High Needs. They also agreed to use £160k of the Schools Block to fund pupil growth and falling rolls at the existing levels.

Although the final DSG settlement includes Rates (NNDR) for schools, from 1<sup>st</sup> April 2023, 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 £200m has been allocated to local authorities by increasing the hourly rates used to fund parents’ free entitlement to early years provision.

The funding rates for Havering for 2023-24 are as follows:

Age	2022-23 rate £	2023-24 rate £	Change £	Change %
2 yr olds	6.03	6.52	0.49	8.1

Age	2022-23 EYNFF* rate £	2022-23 TPPG** rate £	2022-23 total rate £	2023-24 total rate £	Change £	Change %
3&4 yr olds	5.59	0.07	5.66	5.72	0.06	1.1

\* EYNFF – Early Years National Funding Formula

\*\* TPPG – Teachers’ Pay and Pension Grants

The 2022-23 funding rate for 3&4 year olds is £5.59. Incorporating the grants for teachers’ pay and pensions, previously paid separately to maintained schools with nurseries, into the EYNFF hourly rate results in a 7p rise to £5.66. The funding rate for 2023-24, which incorporates the funding for teachers’ pay and pension, is £5.72, a rise of 6p (1.1%).

From a local authority’s allocation, the pass-through rate to providers is a minimum of 95%, including contingencies and an inclusion fund to support access for children with special educational needs and disabilities. 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 can have a maximum of 5% for those services.

Consultation with early years’ providers is currently underway to confirm Havering’s funding arrangements for 2023-24.



- **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.

Following the allocation of £400m for High Needs announced in the Autumn Review 2022, Havering has received an additional £1.8m in the High Needs Block, bringing the total in High Needs Block to £4.5m.

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

Havering is participating in the DfE Delivering Best Value (DBV) programme. This aims to support LAs in delivering high quality provision within the allocation of funding.

- **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.

The removal of the ESG in 2017 resulted in a shortfall against the cost of providing LA statutory services. This shortfall has been met by MTFS contribution, savings made centrally and a contribution from LA maintained schools, as illustrated in Table 7.

<b>Table 9</b>	<b>£m</b>
Estimated service costs in 2023-24	1.858
MTFS Contribution to Education Support Functions	(0.600)
DSG Central Services Block for LA central duties (previously ESG grant)	(0.742)
Contribution from schools – Education Functions	(0.414)
Service Efficiencies	(0.102)
<b>Balance</b>	<b>nil</b>

## 6 2023/24 Budget Proposals

- 6.1 A report to Cabinet in September updated the MTFS to reflect the latest assumptions at that time. That report set out a potential £23m funding gap for 2023/24 rising to £69.5m by 2026/27 before savings, the financial settlement and changes to Council Tax as set out in the table below.

**Table 10: Financial Position presented to September 2022 Cabinet**

<b>September Cabinet</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>4 Year Plan</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Corporate Pressures	6.0	4.7	2.7	1.7	15.2
Fair Cost of Care	1.0	3.0	2.7	1.2	7.9
Demographic Pressures	10.0	4.7	4.7	4.7	24.1
Inflationary Pressures	9.7	5.3	4.8	4.8	24.7
Changes to External Funding	-1.9	0.2	6.3	0.0	4.6
Previously agreed savings	-2.0	-1.8	-1.6	-1.6	-6.9
<b>LATEST GAP</b>	<b>23.0</b>	<b>16.1</b>	<b>19.6</b>	<b>10.8</b>	<b>69.5</b>

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 The rising cost of Social Care

Inflation and the cost of living continued to rise through 2022/23 and both Children's and Adults' have worked hard to try and contain costs. The services have undertaken exercises during the autumn to fully assess potential demand and costs for 2023/24 onwards based on the latest demographic and inflationary data as well as taking into account government funding intended to support moving towards the median cost of care and other objectives including supporting hospital discharge.

There is continuing pressure on social care from providers who are experiencing increasing costs. A number of providers are leaving the market meaning clients are needing to be rehomed often at a higher cost. There are also increasing pressures with a significant number of elderly carers who advise of their difficulties in maintaining their caring role and have said they would be seeking increased resources and potentially long term placements for the people they care for.

The budget has been updated to provide for the expected additional costs of these social care pressures in the Medium Term Financial Strategy.

### 6.4 Additional Costs of Levies

The East London Waste Authority manage waste disposal for Havering and three other boroughs (Newham, Redbridge and Barking and Dagenham). The cost of waste disposal for Havering was just over £18m in 2022/23. The majority of the costs are based on a 25-year contract with Renewi and are index linked to inflation. The rise in inflation has therefore resulted in a sharp increase in projected Levy costs from 24/25 onwards. The increase in 23/24 has been damped by application of ELWA reserves.

## 6.5 Increased Cost of Inflation

The cost of living has been increasing across the UK since early 2021. The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before easing to 10.7% in November 2022. Increase in prices for energy and consumer goods are pushing inflation higher. Consumer prices, as measured by the Consumer Prices Index (CPI), were 10.7% higher in November 2022 than the year before.

Increases in the costs of consumer goods, underpinned by strong demand from consumers and supply chain bottlenecks, have been factors causing rising inflation. Food prices have also been rising sharply over the past year.

Another important driver of inflation is energy prices, with household energy tariffs and petrol costs increasing. From November 2021 to November 2022, domestic gas prices increased by 129% and domestic electricity prices by 65%. Gas prices increased to record levels after Russia launched its full-scale invasion of Ukraine and continued to rise during much of 2022 due to cuts in Russian supply. Electricity prices are linked to gas prices and have followed a similar trend.

These increases have a direct link to Local Government costs and Social Care in particular. Havering has worked closely with its providers to secure value for money services over many years and whilst inflationary costs of all supplies including energy and food have driven unit costs up, the Council continues to ensure Value for Money from its suppliers.

## 6.6 Pay inflation

In the autumn there was a nationally agreed pay award for Local Government Officers which reflected both increases in the cost of living and that salaries had not kept pace with inflation over a number of years. The full year impact of this pay award has been built into the 2023/24 budget. The Council has also provided for future year pay awards at 3% which is well below the current rate of inflation but reflective of likely restrictions on Public Spending.

## 6.6 Saving Proposals

The September Cabinet paper set out four focus areas where the Council was going to aim to find savings and efficiencies to help balance the 2023/24 budget.

These areas were:

- Improving our Business Efficiency
- Changing how we fund and provide services
- Increasing our Income
- Reducing or stopping Services

Detailed proposals were developed over the summer and consulted on between October and December 2022. The administration has now considered those proposals and the outcome of the consultation and are able to recommend that the savings in the table below are proposed to be built in to the budget process.

The savings proposals profiled total £19.433m over 4 years with £9.626m achievable in 2023/24. A further £9.414m of savings proposals are due to be implemented in later years but these will be subject to development and due consideration.

**Table 11: New Savings Proposals**

Savings Proposals	2023/24	2024/25	2025/26	2026/27	4 Year Plan
	£m	£m	£m	£m	£m
Improving our Business Efficiency	(3.657)	(0.714)	(0.260)	(0.260)	<b>(4.891)</b>
Changing how we fund and Provide Services	(2.747)	(2.320)	(2.620)	(2.720)	<b>(10.407)</b>
Increasing our Income	(1.674)	(0.005)	0.000	0.000	<b>(1.679)</b>
Reducing or Stopping Services	(1.548)	(0.696)	(0.212)	0.000	<b>(2.456)</b>
<b>TOTAL SAVINGS</b>	<b>(9.626)</b>	<b>(3.735)</b>	<b>(3.092)</b>	<b>(2.980)</b>	<b>(19.433)</b>

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

## 6.7 The Council's commitment to Climate Change

Havering is fully committed to the Climate change agenda and has set a target of being Carbon Neutral by 2040. Many projects are already underway to help towards this goal including:

- A programme of work to improve the energy efficiency of approximately 130 Council homes is on site and progressing well. Stakeholder consultation has also started on a standard low energy specification for the Council's Housing.
- The Waterloo and Queen Street Development Project will enhance biodiversity by ensuring retention of water runoff via a natural swale system. The scheme will also benefit from the planting of 159 new trees on site (71% uplift from existing) and buildings will enjoy sustainable green and brown roofs.
- Intensive work has begun on collating and analysing where applications are meeting or exceeding policy requirements in terms of low/zero carbon

targets for new buildings, sustainable drainage and green infrastructure/biodiversity.

- Decarbonisation related energy grants have been promoted to all known Landlords. On 4th October, the Council held a Landlord forum in partnership with the National Landlords Association where we presented information on how landlords could make their homes more energy efficient.
- A first draft of the Havering Air Quality Action Plan (AQAP) is complete. We are currently on track for a revised AQAP in summer 2023.
- We have contacted water companies and are confident that they all have processes in place to detect water leakages within the Borough.
- Working with the Havering Volunteer Centre and the Green Forum grant applications are being made to raise community awareness about the role everyone has to play in tackling climate change.

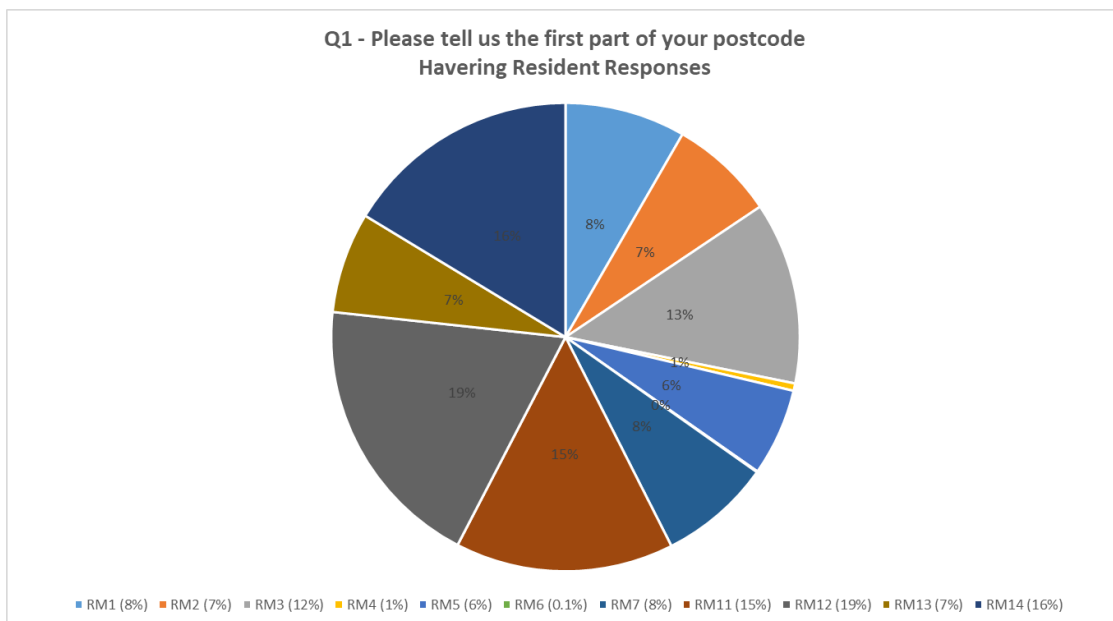
The Council is reviewing any funding commitment required for its workplan on climate change. Further details of this will be presented at a future cabinet at which any resources required will be set out. It is recommended that the Council uses CIL Funding to cover potential costs in 2023/24 whilst this review is undertaken.

## **6.8 Budget Consultation**

As set out in this report the budget round was always going to be particularly difficult this year due to the increases in the cost of provision of services. The Council recognised the need to communicate the budget position effectively to the public and key stakeholders and accordingly ran a comprehensive budget consultation between October and December 2022.

The consultation paper was available online and in hard copy and the Council also ran a number of drop in sessions at the libraries around the borough.

The response rate to the consultation was very high with 3,188 responses compared to under 500 in the previous exercise in 2021. 97% of respondents declared as Havering Residents and the responses were spread fairly evenly across the various Havering postcodes as set out in the pie chart below



Almost half of all respondents (49%) found out about the consultation from the Council's e-newsletter with 17% of respondents finding out by other means. Of these 17%, over half were from the Council's leaflet drop.

There was a good response rate from respondents aged between 55 and 74, with most responses coming from respondents aged between 55-64 (21%) and 65-74 (21%).

The full outcomes of the consultation are attached at **Appendix B** but can be summarised as follows:

Over a third (38%) of respondents rated the Cost of Living Crisis as their number one issue. The three most important issues that respondents feel that Havering is likely to face in the next year by weighted rank are:

- Cost of Living Crisis
- Crime/Community Safety
- National Health Service/Healthcare

Crime/Community Safety and National Health Service/Healthcare remain important issues from the previous year, however with the current economic situation, Social Care appears to be less of a concern when compared to the Cost of Living Crisis.

When asked which three things you are personally most concerned about at the moment the responses were as follows:

18% of respondents rated Paying Bills as their number one issue. When a weighted ranking was applied, the three things that respondents are personally concerned about are:

- Paying Bills
- Cleanliness of Street and Local Area
- Anti-Social Behaviour in My Community

The council did not include any particular assumptions on a Council Tax increase but provided an illustration on how a 1.99% increase in Council Tax would mean an increase of 60p per week on an average Band D property in the borough.

- 43% supported an increase of up to 2%
- 17% supported an increase of 2% or above
- 38% did not support an increase

The top three proposals that respondents feel will have the most negative affect on them are:

- Reduction of CCTV Monitoring Hours (34%)
- Reduced Grounds Maintenance (19%)
- End of Grant Funding for Citizens Advice Bureau (19%).

The top three proposals that respondents feel will have the most negative affect on them are:

- Alternative Weekly Collection/Containerisation of Waste/Recycling (59%)
- Review of Parking Services Delivery Model (27%)
- Highway Procurement Savings (24%).

Councillors have received the outcomes of the budget consultation and have therefore been able to take all the outcomes into consideration when making final decisions on the budget proposals and Council Tax level set out in this report.

## **6.9 Balancing the budget and setting the 2023-27 Medium Term Financial strategy**

The saving proposals set out in section 6.7 together with the Local Government Finance Settlement have significantly closed the budget gap for 2023/24. It is recommended that the remaining balance is closed by applying a 2.99% general increase to Council Tax and a 2% Social Care Precept, an overall increase of 4.99%. 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 Mayor of London has proposed a 9.74% increase in the GLA Precept including an additional £15 for policing. The GLA provide services such as transport, Policing, Fire and Ambulances. Approximately 20% of the Council Tax residents pay relates to the GLA Precept and the Council has no control over this increase.

The table below sets out the revised Medium Term Financial Strategy to balance the budget for 2023/24

**Table 12: Medium Term Financial Strategy position**

	2023/24	2024/25	2025/26	2026/27	4 Year Plan
	£m	£m	£m	£m	£m
Waste Collection and Disposal	1.583	3.437	2.535	1.654	9.209
Concessionary Travel increased costs	1.074	1.600	1.300	0.300	4.274
Capital Financing Costs	2.287	3.957	1.403	2.098	9.745
Other Corporate Pressures/reductions	0.135	2.088	-1.000	0.000	1.223
Homelessness Pressure	0.500	0.000	0.000	0.000	0.500
Childrens inflation and Demographics	8.162	1.000	1.000	1.000	11.162
Adults Inflation and Demographics	9.486	3.472	3.472	3.472	19.902
Public Health Future Burdens	0.000	0.000	0.000	0.867	0.867
Other Inflation including Pay and Energy	7.145	5.535	5.035	5.035	22.750
Futute cost of Care over assumed Govt Funding	0.000	0.000	1.000	3.000	4.000
Savings agreed in 2022 budget	-1.850	-1.773	-1.600	-1.600	-6.823
<b>TOTAL PRESSURES</b>	<b>28.522</b>	<b>19.316</b>	<b>13.145</b>	<b>15.826</b>	<b>76.809</b>
Government Settlement Funding	-13.811	-3.991	6.015	0.000	-11.787
New Savings proposals (Appendix A)	-9.626	-3.735	-3.092	-2.980	-19.433
Future year indicative savings	0.000	-1.450	-4.364	-3.600	-9.414
Provision for non delivered savings	2.000	0.000	0.000	0.000	2.000
<b>GAP Before Council Tax Decisions</b>	<b>7.085</b>	<b>10.140</b>	<b>11.704</b>	<b>9.246</b>	<b>38.175</b>
Adult Social Care Precept 2%	-2.840	0.000	0.000	0.000	-2.840
General Council Tax 2.99%	-4.245	0.000	0.000	0.000	-4.245
<b>FINANCIAL POSITION</b>	<b>0.000</b>	<b>10.140</b>	<b>11.704</b>	<b>9.246</b>	<b>31.090</b>

Putting all this together gives a balanced budget for 2023/24 but a medium term financial gap to 2027 of £31.1m.

It should be noted that the Council Tax level residents pay is also affected by the GLA Precept level which is set by the Mayor of London. The Mayor is currently consulting on his proposed 2023/24 budget and will formally set the new precept at a meeting on the 23rd February 2023.

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 in energy 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 during the pandemic due to reduced footfall and the expected increase is partially reflective of usage rising back to pre-pandemic levels
- As has already been noted the pressure identified in adults and children's social care of a combined £17.648m, has not been supported with sufficient investment from government, with the additional grant money into social care totalling £8.277m – less than half the amount the Council actually needs
- The Council has also included in its medium term planning an increased contribution to balances in 2024/25. This is aimed at moving the Council towards its medium term target of £20m of general balances. The requirement for this in the budget will be reviewed later in 2023 when the 2022/23 outturn position is confirmed and the review of earmarked reserves and their application has been completed.
- The MTFs also provides for the expected loss of Government grant in 2025/26 due to the expected funding reforms which include Levelling up and the Fair Funding Review

The Council Tax requirement for 23/24 will be £149.070m. The table below and **Appendix G** sets out more detail on the new proposed Council Tax levels. *(to follow in final version for Full Council);*

**Table 13: Proposed Council Tax Levels**

	Havering Base Council Tax (2.99% inc)	ASC Precept (2% inc)	Total Havering Council Tax (4.99% inc)	GLA Precept (9.74% inc)	Total Council Tax (5.94% inc)
<b>BAND A</b>	£954.51	£148.15	£1,102.66	£289.43	£1,392.09
<b>BAND B</b>	£1,113.59	£172.85	£1,286.44	£337.66	£1,624.10
<b>BAND C</b>	£1,272.67	£197.54	£1,470.21	£385.90	£1,856.11
<b>BAND D</b>	£1,431.76	£222.23	£1,653.99	£434.14	£2,088.13
<b>BAND E</b>	£1,749.93	£271.61	£2,021.54	£530.62	£2,552.16
<b>BAND F</b>	£2,068.11	£320.99	£2,389.10	£627.09	£3,016.19
<b>BAND G</b>	£2,386.27	£370.38	£2,756.65	£723.57	£3,480.22
<b>BAND H</b>	£2,863.53	£444.45	£3,307.98	£868.28	£4,176.26

## 7 Taxbase

- 7.1 The Council's Taxbase is projected to increase during 2023/24. 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 90,128 Band D equivalents. This is an increase of 738 Band D equivalents in comparison to 2022/23.

## **8. Updating the Medium Term Financial Strategy 2023-2027**

8.1 The budget process has closed the gap for 2023/24 enabling a balanced budget to be set. There is however still a significant gap in future years of £31.1m to 2027.

### **8.2 Closing the Medium Term Financial Gap**

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 budget gap for 2024/25 during 2023. This includes:

- Review of corporate and demographic pressures

The Council has adopted a prudent approach to future corporate and demographic pressures including capital financing costs. These assumptions will all be tested during the first part of 2023 and the assumptions will be updated accordingly.

- 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 2023/24 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.

- 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 2023/24. 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 Earmarked Reserves

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 2022. The Council has a further planned contribution built into the 2022/23 budget but the continued pressures on social care due to inflation and demographics 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 Council's budget each year 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 14: Five year Capital Programme to 2027-28**

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
<b>Adults Services</b>						
Adults - DFG	4.895	0.000	0.000	0.000	0.000	<b>4.895</b>
Adults - Other	1.677	0.000	0.000	0.000	0.000	<b>1.677</b>
<b>Adults Services Total</b>	<b>6.571</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>6.571</b>
<b>Customer, Communication &amp; Culture</b>						
Leisure - Other	0.955	0.000	0.000	0.000	0.000	<b>0.955</b>
Leisure - SLM	0.010	4.552	0.000	0.000	0.000	<b>4.562</b>
Libraries	0.067	0.000	0.000	0.000	0.000	<b>0.067</b>
<b>Customer, Communication &amp; Culture Total</b>	<b>1.033</b>	<b>4.552</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.585</b>
<b>Transformation</b>	<b>9.457</b>	<b>6.494</b>	<b>1.980</b>	<b>1.180</b>	<b>0.000</b>	<b>19.111</b>
<b>Childrens Services</b>	<b>2.225</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.225</b>
<b>Learning &amp; Achievement</b>						
Learning & Achievement Other	0.000	0.000	0.022	0.000	0.000	<b>0.022</b>
Schools	0.887	0.000	0.000	0.000	0.000	<b>0.887</b>
<b>Learning &amp; Achievement Total</b>	<b>0.887</b>	<b>0.000</b>	<b>0.022</b>	<b>0.000</b>	<b>0.000</b>	<b>0.909</b>
<b>Environment</b>						
Environment - Other	3.352	0.000	0.000	0.000	0.000	<b>3.352</b>
Grounds Maintenance	0.150	0.000	0.000	0.000	0.000	<b>0.150</b>
Highways	8.318	7.750	7.182	7.000	7.000	<b>37.250</b>
Parks	0.500	0.000	0.000	0.000	0.000	<b>0.500</b>
<b>Environment Total</b>	<b>12.320</b>	<b>7.750</b>	<b>7.182</b>	<b>7.000</b>	<b>7.000</b>	<b>41.252</b>
<b>Registration &amp; Bereavement Services</b>	<b>0.070</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.070</b>
<b>Asset Management</b>						
Asset Management - Other	7.078	0.000	0.000	0.000	0.000	<b>7.078</b>
Corporate Buildings	3.657	3.205	0.216	0.226	0.238	<b>7.542</b>
Health & Safety	0.092	0.018	0.000	0.000	0.000	<b>0.110</b>
Schools Conditions Programme	4.985	0.000	0.000	0.000	0.000	<b>4.985</b>
Schools Expansions	17.861	22.865	0.000	0.000	0.000	<b>40.727</b>
Vehicle Replacement	0.110	0.000	0.000	0.000	0.000	<b>0.110</b>
<b>Asset Management Total</b>	<b>33.783</b>	<b>26.089</b>	<b>0.216</b>	<b>0.226</b>	<b>0.238</b>	<b>60.551</b>
<b>ICT Infrastructure</b>	<b>6.982</b>	<b>3.020</b>	<b>2.242</b>	<b>0.000</b>	<b>0.000</b>	<b>12.244</b>
<b>Capital Contingency</b>	<b>2.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.000</b>
<b>Regeneration</b>	<b>170.560</b>	<b>131.682</b>	<b>45.051</b>	<b>28.000</b>	<b>28.000</b>	<b>403.294</b>
<b>Total GF Capital Expenditure</b>	<b>245.889</b>	<b>179.587</b>	<b>56.692</b>	<b>36.406</b>	<b>35.238</b>	<b>553.812</b>
HRA Capital Expenditure	143.206	94.387	100.729	133.379	196.121	<b>667.822</b>
<b>Total Capital Expenditure</b>	<b>389.095</b>	<b>273.974</b>	<b>157.421</b>	<b>169.785</b>	<b>231.359</b>	<b>1,221.634</b>

## 12 Budget Risks and Uncertainties

12.1 There are a number of financial risks and uncertainties which could potentially impact on the 2023/24 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. These are now not likely to happen until 2025/26 at the earliest. 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 2025/26 as well 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 now delayed the implementation of the Funding Reform (the care-cap element which would have introduced a cap on the amount people would have to pay for their adult social care services) until at least October 2025. This funding has been allocated to councils to help fund general Social Care Pressures across children's and adults. However other aspects of the funding reform are going ahead – specifically the ring-fenced Mark Sustainability and Improvement Fund, with council's expected to use this funding to 'move towards' a reasonable cost of care following the completion of the Fair Cost of Care exercise in Summer / Autumn of 2022. The funding allocated to Havering is insufficient to make much headroom towards moving to a reasonable / median cost of care.

- **Fair Funding Review and Levelling Up**

The review of Local Government Finance distribution formulas is now unlikely until 2025/26 but is still 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 that 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 inevitable. The MTFS takes account of the current high inflation rates but assumes they will come down in the medium term in accordance with OBR forecasts. If this does not happen there will potentially be 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.

- **Health Funding**

Following the pandemic, health funding has been received to help manage the resulting ongoing cost pressures, there is a risk that this funding may not continue and if it didn't it would add add to the councils pressures.

- **In-year pressures and overspends**

The 2023/24 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 and the business plans have been updated to reflect higher inflation rates. If inflation continued to remain high for a prolonged period this would have a direct impact on these costs.
- **Changing build costs/variability:** 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.
- **Issues with land e.g. 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**

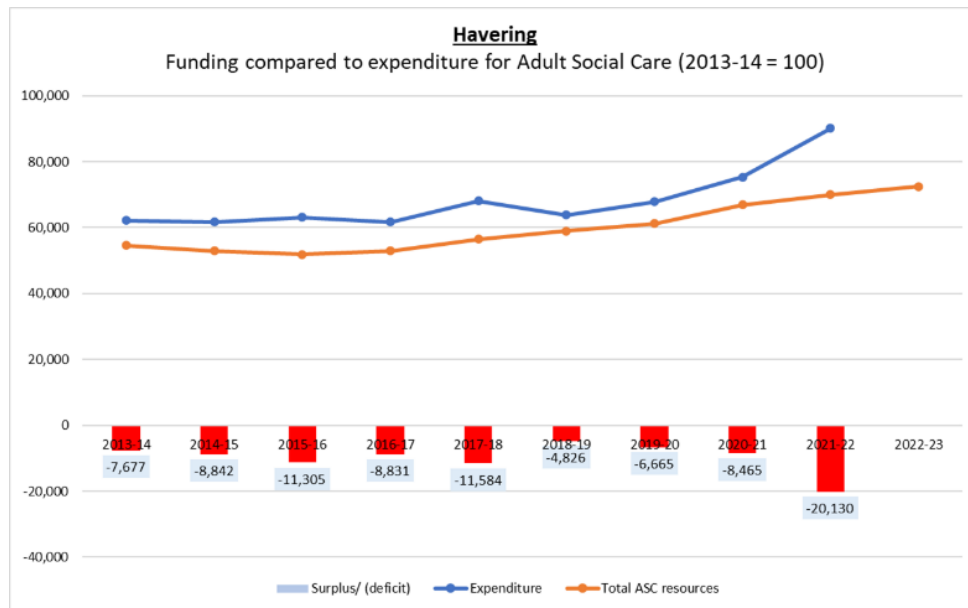
13.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Authorities are required to consider their Chief Financial Officer's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

The Financial position of the Council is acute and the Administration have addressed that position by taking the appropriate steps to enable a balanced budget to be set for 2023/24 and to adopt an approach to ensure that the Council can be sustained financially going forward.

Resources have failed to keep pace with financial pressures over the last decade but specifically over the last five years where pressures in Adult Social Care have been particularly acute. The following table illustrates how expenditure since



2020/21 has increased significantly more than the resources including Social Care Grants and ASC precepts.



Whilst the Government has increase overall resources for Adult Social Care, this has been insufficient to keep pace with pressure and has been compounded by historic funding distribution that no longer allocates scarce resources to those authorities in most need. This is compounded by taking into account local authority's ability to generate additional resources from Council Tax, but not from other income sources. As such Government grant is allocated to authorities who are in a position to increase their reserves and balances. It is against that backdrop that the Council's MTFs has been developed.

### 13.2 Robustness of Reserves and Balances

The budget has been prepared using a four-year Financial Strategy. The Government has provided information about future Social Care funding for 2024/25 but no assurance over future funding beyond then and as such planning even a four year framework is very difficult. If the Government produces exemplifications of future intentions this would greatly inform the later years of the financial plan.

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 2023/24 budget the process has taken account of the following factors

- The forecast revenue position as set out in the Period 6 Cabinet Report in December 2022 and updated to Period 8 for this report.

- The outcome and forecast impact on the Council of the Provisional Local Government Financial settlement as presented in this report.
- The Autumn Statement announced in November 2022.

As the development of the budget for 2023/24 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 key priorities in this challenge process and this is reflected in the detailed budget proposals.

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 2023/24 the budget includes significant savings from across the departments some of which are potentially challenging. 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 including energy cost increases
- 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 2022/23 significant budget variances has taken place to inform the development of the 2023/24 budget position. It is fully recognised that there are ongoing pressures in 2022/23 and the detailed process has taken account of this in creating the 2023/24 budget.

This has been particularly apparent in both Children's and Adult Social Care where there have been significant ongoing pressures in 2022/23. The 2023/24 budget includes over £17m of demographic growth and inflation to mitigate the increased pressures in this area

### 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 2022. The Council has a further planned contribution built into the 2022/23 budget of £2m however the unprecedented financial situation due to increased costs of social care 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 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 resulting from the current cost of living increases.

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 2022 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, £1.4m 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 2023/24 budget and 2023-27 MTFS has been prepared taking into account the following:

- The impact of the current cost of living inflationary pressure on the 2023/24 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.

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. Any revenue foregone by offering a 1.5% discount is offset by the notional interest earned on the advance payment of Council Tax.

### **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 2024, 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 2023, 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 2023/24**

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 by the Council.

The Council proposes to maintain the current CTS Scheme for 2023 putting forward no amendment to that scheme in 2022. A copy of the 2022 Council Tax Support Scheme can be found at [https://www.havering.gov.uk/downloads/download/367/havering\\_local\\_council\\_tax\\_support\\_scheme](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 2023 before 11 March 2023.

The Council has given due regard to 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 2021 and this can be found at

**App E: EqHia Council Tax Support Scheme 2022-23.pdf Havering.gov.uk**

A draft summary version of the Council Tax Support Scheme for 2023 is contained within **Appendix F**. A full version of the draft CTS 2021 scheme can be found at

[https://www.havering.gov.uk/downloads/file/5855/draft\\_local\\_council\\_tax\\_support\\_scheme\\_2023-24](https://www.havering.gov.uk/downloads/file/5855/draft_local_council_tax_support_scheme_2023-24)

## **16. Council Tax Support Fund 2023**

In recognition of the impact of rising bills, Government announced on the 23 December 2022 the Council Tax Support fund to support the most vulnerable households in England.

The Council Tax Support funding will provide a credit of up to £25 to Council Tax accounts to supplement those households who still have a balance to pay after the main Council Tax Support has been credited to their account. This means that if a household receive 100 percent Council Tax Support and have no council tax to pay, they will not receive a £25 credit to their Council Tax account.

No application is required from the Council Tax Support household for the above as Councils are expected to process the credit automatically. In addition, Government ask Councils to consider using a proportion of their allocation to help locally vulnerable households with Council Tax bills. At Havering, the Council Tax Discretionary Reduction policy and application is already established for this purpose. The Council Tax Support fund guidance is limited and can be found [here](#).

The funding is for the 2023/24 financial year and Havering has been given a provisional allocation of £0.364m.

In January 2023, there were 10,478 existing Council Tax payers with a balance to pay after receiving Council Tax Support. Assuming these numbers remain roughly the same when projected through to 1 April 2023, this will require

£261,950 (10,478 x £25) from the fund. It is likely that a further estimated 1,212 new claims for Council Tax Support will be made during the course of the 2023/24 financial year and this will be at a cost of £30,300 (1,212 x £25). The total cost of crediting Council Tax accounts in 2023/24 with £25 would be £292,250.

This would leave £72,289 to help economically challenged households during 2023/24 with their Council Tax through the usual Council Tax Discretionary Reduction application process. The Government would like to see this discretionary reduction on the March 2023 Council Tax bills however, this is reliant on the Council's IT supplier being able to deliver the software in early February 2023.

Management information to monitor progress is also required on a quarterly basis by the Department for Levelling Up, Housing and Communities.

## 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 2023/24 and sets out the Council's future plans for balancing the budget in the medium term from 2023/24 to 2026/27.

### **Other options considered:**

The report outlines all the options identified for balancing the 2023/24 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 the Council 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