

**Report for: DECISION**

**Item Number:**

<b>Contains Confidential or Exempt Information</b>	No
<b>Title</b>	<b>BUDGET STRATEGY AND MTFS 2022/23 TO 2024/25</b>
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<b>For Consideration By</b>	Cabinet
<b>Date to be considered</b>	8 December 2021
<b>Implementation Date if Not Called In</b>	21 December 2021
<b>Affected Wards</b>	All
<b>Area Committees</b>	All
<b>Keywords/Index</b>	Budget Strategy, Medium Term Financial Strategy (MTFS), Budget approach/process, Savings

### **Purpose of Report**

The budget strategy report provides an update to cabinet on developments since the last budget strategy report in October 2021 and sets out how these changes impact the 2022/23 budget gap and the Council's legal duty to set a balanced budget.

It provides a summary of key announcements from the 2021 Spending Review and Autumn Budget and notes that, once again, local government must plan next year's spending on crucial local services without yet knowing detail of how much funding it will receive from government to pay for them.

The report also sets out key issues faced by the Council when planning a balanced budget for beyond 2022/23 including the impact of the COVID-19 pandemic on our communities and increased demand for services, whilst details of financial impact of changes to the New Homes Bonus grant and implementation of governments New Health and Social Care Plan are yet unknown. The uncertain operating and financial challenges faced by the Council against the context of prolonged reduction in the

Council's funding from central government until 2019/20, that has since 2010 seen it reduce by 64%.

Although there has been a positive headline announcements for Local Government in receiving additional £8.5bn over the spending review period of which £3.6bn is for implementation of the new social care reforms and £4.8bn is for additional grant (on average £1.5bn per annum), there are risks that the distribution methodology for the additional £4.8bn grant funding may not favour Ealing, and other London authorities, as the government continues to pursue its "levelling up" agenda. This is one of the reasons why current funding forecast is maintained at previous assumptions suggesting that the Council will be faced with a significant budget gap of c£24m for 2022/23. Unless the Local Government Finance Settlement comes forward with a sustainable funding package, the Council will be required to take some challenging decisions to achieve a legal and balanced budget.

The Council is preparing its budget plan under a variety of scenarios as it is prudent to do so and the budget gap of £24m as set out in this report is a prudent assessment of the scale of financial challenge the Council is facing in 2022/23.

The report also sets out an update on the 2022/23 Schools Funding and budget strategy for the Capital Programme and the Housing Revenue Account.

## **1. Recommendations**

It is recommended that Cabinet:

- 1.1 Notes the 2021 Spending Review and Autumn Budget announcements and notes that work is on-going to further refine funding assumptions following Local Government Finance Settlement and associated technical release (section 3).
- 1.2 Agrees that officers continue to prepare detailed plans and budget proposals in accordance with the Administration's priorities and financial strategy objectives and the proposed approach to savings identification (section 4).
- 1.3 Continues to set a requirement to identify savings proposals that will close the revised forecast budget gap for 2022/23 of £23.793m by the end of the budget process (paragraph 5.2 and 5.3).
- 1.4 Notes the high-level forecast budget gap of £52.004m over the three-year Medium-Term Financial Strategy period and sets a requirement to also bring forward proposals to close the forecast gap in 2022/23 onwards recognising that the Local Government Finance Settlement would have a material impact on this value (paragraph 5.2 and 5.3).
- 1.5 Recognises that new service growth given the funding context will present

further challenges that could affect the overall budget gap (paragraph 5.3.8 to 5.3.10).

- 1.6 Notes the capital investment process as set out in the report (section 6).
- 1.7 Notes the outcome of 2022/23 School Funding Formula changes as agreed by Schools Forum (Section 7) and:
  - a) Notes the intention to keep the structure of the Ealing Early Years Funding Formula the same for 2022/23, subject to the outcome of the consultation and School Forum decision in January 2022.
  - b) Approves the proposed 2022/23 structure of Ealing's Funding Formula for schools as set out in Appendix 1.
  - c) Agrees that, should it be necessary to adjust the funding formula for schools so that allocations are within the funding available which will be announced later in December, this would be done by adjusting the low prior attainment and / or deprivation factors, and by capping and/or scaling gains for those schools that gain funding under the formula.
  - d) Authorises Assistant Director Planning, Resources and Service Development to submit the proforma to the Education and Skills Funding Agency by 21 January 2022.
- 1.8 Notes Housing Revenue Account (HRA) Budget Strategy (section 8).
- 1.9 Notes the budget preparation timetable as set out in the report (section 9).

## **2. Reason for Decision and Options Considered**

- 2.1 The Council made significant investment in service areas as part of the 2021/22 budget process but continues to face significant financial pressures in future years and uncertainty, including the continuing uncertainty of the level of support from Central Government over the medium term and an increased demand for services alongside the potential impact of COVID-19 into future years.
- 2.2 This is an update report for Member's consideration on the 2022/23 Budget and Medium-Term Financial Strategy (MTFS). It updates the MTFS assumptions for 2022/23 to 2024/25 and endorses officers to continue to prepare detailed budget proposals for Member consideration as part of the annual budget-setting cycle in line with the timetable in section 9.
- 2.3 The overarching objective is to set a priority-led budget over the medium term that is balanced and realistic; and supported by achievable savings plans. However, it must be recognised that significant budget gaps such as that set out in this report could severely curtail the ability of the Council to deliver comparable service levels and some service areas compared to the current state.

### **3. Financial Context**

#### **3.1 Budget Statement**

3.1.1 In 2021, the Chancellor has presented two budget statements:

- a) Spring Budget Statement (March 2021)
  - Budget focused on rebuilding and levelling up the economy, supporting jobs and business as we emerge from the Pandemic.
  - Additional funding made available to tackling domestic abuse.
  - 2021/22 COVID-19.
- b) Autumn Budget Statement (October 2021)
  - Continued focus on rebuilding and levelling up agenda.
  - Reform to social care system and associated taxation and funding being made available.
  - Providing a multi-year settlement for Local Government.

#### **3.2 Economic and Fiscal Outlook**

3.2.1 The general national and local health of the economy has both direct and indirect impacts on the Council's medium term financial strategy. The Spending Review considers the latest economic performance and projections which help to determine what the general outlook for local government funding over the short-medium term.

3.2.2 Following the lifting of pandemic restrictions, the economic recovery continues to be uncertain and of national concern is the rebound in consumer demand which has been met with supply constraints driven by a combination of changes in migration and trading in the context of Brexit, thus leading to higher prices and pressure on wages. Despite these factors the 2021 Spending Review announcement looked ahead to a more normalised position where extraordinary measures in response to the pandemic recovery and from Brexit come to an end. Such a view could still put the public finances, including local government, at risk, hence the need for Council to continue and adapt current plans to both manage economic recovery and council finances.

3.2.3 Tax introductions such as the health and social care levy together with corporate and personal tax increases announced in the March 2021 Budget, increase the tax burden from 33.5% of GDP before the pandemic to 36.2% of GDP by 2026/27, its highest since the early 1950s. All whilst public spending falls from its peacetime high of 53.1% of GDP in 2020/21 to 45.1% in 2021/22 as pandemic related support comes to end.

##### **Fiscal targets**

3.2.4 The Spending Review and Autumn Budget sets out the government's new fiscal

rules. Fiscal policy decisions for at least this Parliament will be guided by the following mandate:

- 1) To have the Public Sector Net Debt as a share of the GDP falling by 2024/25.
- 2) To balance the current budget by 2024/25.
- 3) To ensure that the average Public Sector Net Investment does not exceed 3% of GDP.
- 4) To keep welfare spending below the 'welfare cap' determined by Treasury.

### Key Economic and Fiscal Indicators

3.2.5 The table below provides summary of the economic data and forecast of relevance to local government which has been published alongside the Spending Review and Autumn budget.

Table 1: Key Economic and Fiscal Indicators

Key Economic and Fiscal Indicators	Outturn	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Gross domestic product growth (%)	(9.8%)	6.5%	6.0%	2.1%	1.3%	1.6%	1.7%
Public sector net borrowing (£bn)	319.9	183	83	61.6	46.3	46.4	44
Public sector net borrowing (% of GDP)	15.2%	7.9%	3.3%	2.4%	1.7%	1.7%	1.5%
Public sector net debt (% of GDP)	84.2%	96.6%	98.2%	97.9%	97.8%	94.7%	90.5%
Labour Force Survey unemployment (% rate)	4.6%	4.9%	4.8%	4.3%	4.2%	4.2%	4.2%
Employment (millions)	32.5	32.2	32.6	33	33.2	33.3	33.4
CPI Inflation (%)	0.9%	2.3%	4.0%	2.6%	2.1%	2.0%	2.0%

Source: London Councils on the day briefing October 2021

## 3.3 Comprehensive Spending Review (CSR)

3.3.1 On 27 October 2021, the Chancellor delivered a three-year Spending Review and the Autumn budget for the year ahead. The latter sets out governments taxation and public expenditure plans for the year ahead, whilst the three-year Spending Review confirms government departments resource and capital budgets for three years 2022/23 to 2024/25. Although the spending review may provide more certainty to allow longer term financial planning, it is still not clear whether the final settlement will provide one-year allocation or a multi-year package. Further details are expected to be published alongside the provisional Local Government Finance Settlement in mid-December.

3.3.2 Below is summary of key government announcements impacting local government which we will need to interpret and understand once the detail becomes available.

### a) Local Government

- Core Spending Power (CSP) to rise on average by 3% in real terms by 2024/25 which equates to an estimated additional £8.5bn funding which includes:

- £3.6bn funding for new adult social care reforms<sup>1</sup> over the spending review period. The increase in funding is very much front loaded, with growth in grant funding of £1.4bn profiled for 2022/23.
  - £4.8bn of additional grants for local government<sup>2</sup> over the spending review period, averaging to £1.5bn per annum with further details yet to be confirmed.
  - The remaining funding increase within the CSP is assumed to be derived from a combination of business rates and council tax (including social care precept) incomes, with the latter likely to contribute to a higher proportion of the share.
  - No reference was made to the New Homes Bonus grant.
- b) COVID-19
- No separate compensation for COVID-19 tax losses relating to 2021/22.
  - No announcements whether there will be an extension of the additional COVID funding to support councils with increased costs of Local Council Tax Support.
  - Current 66% temporary relief in England for eligible retail, hospitality and leisure properties will reduce to 50% relief, up to a cash cap of £110,000 per business in 2022/23 up from £105,000 in 2021/22.
  - Extension of COVID education recovery funding with an additional £1.8bn, including:
    - £1bn Recovery Premium for the next two academic years with £145 per pupil in primaries and more for secondary schools.
    - £324m in 2024/25 for additional learning hours for 16-19 year olds.
  - £200m per year continuation of the Holiday Activities and Food Programme introduced during the pandemic.
- c) Council Tax Referendum and Social Care Precept Limits:
- The ability for Councils to increase Council Tax by up to 2%
  - The ability for Councils to levy a Social Care Precept up to 1%
- d) Business Rates
- No reference was made to the business rates baseline reset or any of the other business rates reforms. Given the continuation of Business Rate pilots until 2024/25, this suggests that the baseline reset will also be delayed.
  - Business rates multiplier will be frozen in 2022/23 for which councils will be compensated.
  - Business Rates Revaluation:
    - Three yearly business rate revaluations from 2023 with a consultation on Transitional Relief scheme for the 2023 revaluation

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<sup>1</sup> Funding forms part of the £3.6bn increase in the Local Government Department Expenditure Level (DEL) by 2024/25

<sup>2</sup> Funding forms part of the £3.6bn increase in the Local Government DEL by 2024/25

will be carried out in 2022.

- 'Business Rates Reliefs and Exemptions:
  - The government will consult on implementation of a new 100% Improvement Relief which will take effect in 2023 and be reviewed in 2028. This will be a 12 months relief from higher bills for occupiers where eligible improvements to an existing property increase the rateable value.
  - Targeted exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible heat networks, to support the decarbonisation of non-domestic buildings, to be introduced from 1 April 2023 until 31 March 2035.
  - Extended transitional relief for small and medium-sized businesses, and the supporting small business scheme, for 1 year. This will restrict bill increases to 15% for small properties (up to a rateable value of £20,000 or £28,000 in Greater London) and 25% for medium properties (up to a rateable value of £100,000), subject to subsidy control limits.
  - Councils to be fully compensated for these measures.
  
- e) Health and Social Care
  - In September 2021 the government announced funding reforms for adult social care to be funded through introduction of a new UK wide 1.25% Health and Social Care Levy, based on National Insurance contributions, ring-fenced for funding governments health and social care plan.
  - In total £5.4bn was announced for adult social care reform over the spending review period of which;
    - £3.6bn will go directly to councils to implement the charging reforms and support councils to better sustain their local care market by moving towards a fairer cost for care.
    - £1.7bn will come from the Department of Health and Social Care (DHSC) to improve the wider social care system including quality and integration of care. Of this £500m is for investment in adult social care workforce to further improve quality of services and integration with the NHS.
    - Details of both funding streams are yet to be published; however, the additional funding is intended to fund the associated costs of implementing these reforms and will be phased in from 2022/23. There are risks that the funding allocated to these proposed government reforms do not cover the additional costs likely to be incurred by councils and the Local Government Association have expressed concern that the money allocated will not be sufficient.
    - The additional funding is not intended to deal with the pressures arising from additional demand, complexity of demand and associated costs and there are concerns across the sector around

- increased demand, particularly resulting from the pandemic.
  - Public Health Grant to be maintained in real-terms rising by inflation estimated to be £0.5bn nationally.
- f) Education
  - The Department for Education (DfE) settlement provides an additional £4.7bn cash increase in core resource funding by 2024/25 which is equivalent to a cash increase of £1,500 per pupil compared with 2019/20 amounts.
  - £1.6bn by 2024/25 for 16-19 year olds' education.
  - £2.7bn for apprenticeships and further improvements for employers.
- g) Housing
  - £639m of rough sleeping funding to be made available by 2024/25.
  - Continuation of the Rough Sleeping Initiative and Homelessness Prevention Grant.
- h) Capital and Infrastructure
  - Additional £2.6bn capital funding over the spending review period was announced for SEND, which is intended to provide 30,000 additional places.
  - Additional £65m to improve the planning regime through a new digital system
  - Transport:
    - £5bn investment over the Parliament in buses and cycling of which £3bn relates to buses and £2bn is in relation to cycling and walking including £710m of new active travel funding.
  - £1.7bn was confirmed via the first round of the Levelling Up Fund in 105 projects. London received just 3.8% (£65m) of the total funding across the UK, via 6 projects and received the lowest amount of any English region.
  - Additional Levelling Up infrastructure investment funding including<sup>3</sup>:
    - Strategic roads investments that will benefit London, including the Lower Thames Crossing, increasing capacity across the Thames east of London by over 90%.

3.3.3 Details of how the additional grant of £4.8bn (average £1.5bn per annum) will be distributed will be included in the Provisional Local Government Finance Settlement expected in mid-December. There are risks that the distribution methodology may not favour Ealing, and other London authorities, as the government continues to pursue its “levelling up” agenda. Whilst it is too early to speculate on the details of the distribution there are still a few long-standing funding issues that remain unresolved which include:

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<sup>3</sup> As confirmed by London Council's in their 'On the Day' briefing on 27 October 2021



- Details and revised timeline of the 'Fair Funding Review' and Business Rates baseline reset.
- Future of the New Homes Bonus grant scheme.
- Long-term funding arrangements for Social Care and financial impact of the implementation of the new Health and Social Care Plan for Ealing.
- Long term funding impact of COVID on local government.
- Addressing the funding decline experienced between 2010 and 2019.

3.3.4 As a result of this uncertainty the Council will need to continue to plan with little or no funding certainty over the medium term until details of these are published.

#### **4. Approach to Budget Setting**

4.1 The Council's approach to setting the budget was set out in the Budget Strategy Report to Cabinet on 14 July 2021 and 13 October 2021, a summary of the approach is set out in this section below.

#### **4.2 Delivering Administration Priorities**

4.2.1 The budget process is priority-led, aligning the allocation of resources with the priorities of the Administration. There are three key new Administration priorities for Ealing covering the MTFS period:

- Creating good jobs
- Tackling the climate crisis
- Fighting inequalities

4.2.2 These are supported by nine priority outcomes delivered via the Future Ealing programme.

#### **4.3 Future Ealing Outcomes**

4.3.1 The Council continues to use Future Ealing as a vehicle for delivering the 2022/23 and future years budget strategy.

4.3.2 The Future Ealing budget strategy contains two main strands:

1) Future Ealing Outcomes - Continued drive on Future Ealing outcomes and the associated savings that this approach brings. For 2022/23 in addition to the continued delivery of the existing commitments and activities specific areas of focus include;

- a) Demand focused outcome reviews.
- b) Investment led outcome and service reviews.

2) Modern Council - there four main workstreams (commercial, assets,

efficiency and digital) which form the core of the approach

#### **4.4 Key Deliverables and Objectives**

- 1) Set and Deliver a Balanced Budget
- 2) Maximise Future Ealing as an Organisational Development approach
- 3) Ensure safe and effective delivery of COVID-19 response

#### **4.5 Progress towards Delivering of the Budget Strategy**

4.5.1 In recognition to a tight timeline for developing saving proposals and setting a balanced budget for 2022/23, the Council have procured additional project management support from Newton Europe to bolster in-house capacity to facilitate the Future Ealing process. Services are being supported to develop options and business cases within the agreed timescales, allowing the Council to approve a balanced budget in March 2022.

4.5.2 The Future Ealing programme proposals are currently going through officer and member review and challenge process, which includes:

- Sign-off of proposals by relevant Departmental Management Teams and Senior Leadership Team.
- Engagement with Portfolio Holders as part of the process.
- Member sessions following which final proposals to be presented to Cabinet in February for decision.

### **5. Medium Term Financial Strategy 2022/23 to 2024/25**

#### **5.1 2021/22 Budget and MTFS 2022/23 to 2024/25**

5.1.1 The MTFS, covering the 4-year period 2021/22 to 2024/25, was approved by Cabinet and Council in February and March 2021 respectively. It reflects the impacts of central government funding decisions, analysis of advice and information from relevant organisations and the effects of the national and local economic context. It provides a robust financial framework to support achievement of the Council's overall objectives and delivery of services.

5.1.2 By necessity the MTFS is updated to reflect changing circumstances, updated priorities and ambitions, the latest financial situation and external factors such as Government funding settlements. Uncertainty regarding the impact of postponed local government funding reforms (business rates baseline funding reset and the Fair Funding Review) and widely anticipated recession that is likely to follow the pandemic present significant risks. This in turn creates a high degree of uncertainty both within and beyond 2022/23. As such the MTFS and budget strategy is being compiled in a period of unprecedented financial uncertainty and any estimate beyond one-year is very much speculative.

## 5.2 2022/23 Budget Gap as October 2021

5.2.1 The table below sets out the indicative budget gap for 2021/22, as reported to Cabinet in October 2021.

*Table 2: 2022/23 Budget Gap Sensitivity Modelling*

<b>Budget Gap</b>	<b>£M</b>
<b>Net Service Expenditure</b>	<b>0.036</b>
Service Growth	2.032
Inflation	2.633
Levies	2.279
Corporate Budgets (including treasury)	(0.062)
Grants Held Centrally	5.899
Contingency	0.000
<b>Net Centrally Held Budgets</b>	<b>12.781</b>
Covid Grants and other funding	10.976
<b>Budget Gap as at October 2021</b>	<b>23.793</b>

Source: Budget Strategy & MTFS 2021/22 to 2024/25 – October 2021 Cabinet

5.2.2 Whilst the range of the budget gap for 2022/23 is between c£23m to c£26m, the working estimate of the 2022/23 budget gap in July 2021 remained same as approved by Cabinet in February 2021 of c£24m.

5.2.3 The table below provides an updated position of the MTFS for 2022/23 to 2024/25 as at October 2021.

*Table 3: 2021/22 to 2024/25 Updated Medium Term Financial Strategy Summary*

<b>MTFS 2021/22 to 2024/25</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Funding</b>	<b>(256.148)</b>	<b>(251.349)</b>	<b>(252.767)</b>	<b>(258.322)</b>
Net Budget Requirement	252.648	271.642	284.910	306.826
Contributions to (+) / from (-) reserves	3.500	3.500	3.500	3.500
<b>Net Budget Requirement after Reserves</b>	<b>256.148</b>	<b>275.142</b>	<b>288.410</b>	<b>310.326</b>
<b>Forecasted Budget Gap - Incremental</b>	<b>0.000</b>	<b>23.793</b>	<b>11.850</b>	<b>16.360</b>
Forecasted Budget Gap - Cumulative	0.000	23.793	35.643	52.004

Source: Budget Strategy & MTFS 2021/22 to 2024/25 – October 2021 Cabinet

## 5.3 December 2021 MTFS and 2022/23 Budget Update

5.3.1 The working assumption from a planning perspective is that there is no change to either the level of funding or costs at this stage from what was approved by

Cabinet October 2021. The forecast budget gap of £52.004m over the three-year MTFS period includes a forecast gap in of £23.793m in 2022/23 which could be impacted following the publication of the Local Government Finance Settlement. Assumptions will continue to be stress tested against various scenarios in parallel to the budget process. Changes to the budget gap will continued to be reported in accordance with the timetable set out in section 9 below.

### Collection Fund

- 5.3.2 Due to the pandemic the Council sees significant losses in its income collection in relation to council tax and business rates. Ealing were not alone in this phenomenon as similar experiences were seen across all local authorities and as such councils were able to phase the 2020/21 deficit over three years and be partly compensated for their losses. The financial impact for 2020/21 is shown in table below.

*Table 5: 2021/22 Budget Impact of the Estimated Collection Fund Deficit as at 31 March 2021*

General Fund Impact for Ealing	£M			
	2021/22	2022/23	2023/24	Total
Council Tax	2.884	0.714	1.870	5.467
Business Rates	(1.779)	3.201	2.197	3.620
<b>Estimated Budget Impact</b>	<b>1.106</b>	<b>3.915</b>	<b>4.067</b>	<b>9.088</b>

Source: Budget Strategy & MTFS 2021/22 to 2024/25 – July 2021 Cabinet

- 5.3.3 The impact of the pandemic and lockdown continues to impact the 2021/22 in-year collection rates but financial impact of the collection fund on next years budget is yet to be ascertained and therefore no assumptions have been made within the current updated MTFS and to the 2022/23 Budget Gap.

### Business Rates

- 5.3.4 The Council's MTFS continues with the assumption of retaining 30% of the estimated business rates over the MTFS period, in line with current retention scheme.

### Council Tax and Adult Social Care Precept Options 2022/23

- 5.3.5 Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2022/23 was announced in the Autumn Budget as 1.99% for core Council Tax and up to 1.00% for the Social Care Precept.
- 5.3.6 There is a nil forecast included within the current MTFS for 2022/23 and beyond with regards to council tax and social care precept increases.
- 5.3.7 For illustrative purposes, a 1% SCP equates to c£1.5m, a 1.99% Council tax increase equates to c£3m. When combined this amounts to c£4.6m.

### **New Service Pressures**

5.3.8 From an MTFs perspective there are several areas where it is sensible to make provisional estimates for growth, such new areas that will need to be factored into 2022/23 that are not currently taken include:

- Provision for growth required to address service pressures including COVID. It should be noted that included in the MTFs summary at table 3 above, there is some provision for service growth but not to the level in previous years.
- Growth required to address service pressures through changes in operational delivery model.
- Growth required for capital investment to address health and safety pressures.
- Growth required to invest in key administrative priorities.

5.3.9 The updated MTFs budget gap remains at c£24m and includes a total forecast of £2.032m (excluding inflationary pressures) which remains unchanged from the budget gap as approved by Cabinet in October 2021. Officers will continue to monitor the level and recurring nature of service pressures in-year and will have to pursue all options to mitigate pressures on a permanent basis, which will need to determine the appropriateness of including new growth in addressing said pressures. The resultant effect of new growth capacity to address these pressures would be to increase the budget gap from existing figure to allow for more growth provision and as such will require for the saving target to be increased to accommodate this.

5.3.10 This presents a very real risk to the financial stability of the authority and in a similar way to the potential impact of the settlement being adverse, the manifestation of pressures at current levels without further mitigation would result in new budget growth requirements requiring new savings to be found to ensure a balanced budget can be set.

## **6. Capital Investment Proposals**

6.1 As detailed in the 2021/22 Budget Update Report to Cabinet in November 2021, the revised Capital Programme for the period 2022/23 to 2024/25 totalled £1,119.079m. A summary of the capital programme as at end of September 2021 is set out in the table below.

Table 6: 2021/22 to 2024/25 Capital Programme Summary

Capital Programme Summary	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Total
	£M	£M	£M	£M	£M	£M
General Fund	137.176	414.474	62.468	74.734	53.763	742.615
HRA	92.452	93.133	84.936	61.608	44.335	376.464
<b>Total</b>	<b>229.628</b>	<b>507.607</b>	<b>147.404</b>	<b>136.342</b>	<b>98.098</b>	<b>1,119.079</b>

Source: Budget Update Report 2021/22 – November 2021 Cabinet

## 6.2 Capital Growth

- 6.2.1 The planning assumption for the capital programme in 2022/23 onwards is for a net neutral impact on the General Fund. Further will be undertaken as part of the budget process to assess each business case against set of agreed criteria which will look to ensure that any investment requiring financing is affordable.
- 6.2.2 The new investment will prioritise any capital spending required to meet unavoidable Health and Safety and any funds remaining will be allocated against other priorities agreed as part of the budget setting process.

## 7. Schools Funding

- 7.1 During September and October this year the Council consulted with schools on the structure of Ealing's school funding formula.
- 7.2 Currently both Early Years and Schools Dedicated Schools Grant (DSG) block formulas reflect the national funding formula (NFF). Both funding formulas consist of mandatory and discretionary factors, with the government setting the minimum level of funding that must be allocated through the respective mandatory factors.
- 7.3 At the Schools Forum meeting on 10 November 2021 the decision to continue to move the schools funding formula towards the NFF structure and factor values was discussed and agreed to be put forward to Cabinet for approval.

### 7.4 Schools DSG Block Funding Formula

- 7.4.1 School Funding Formula Factors are proposed to be increased in line with the NFF changes. If following the announcement of the provisional finance settlement in December 2021, if the DSG allocation for 2022/23 Schools Block is less than the current estimate, then the Council will be required to undertake the following to ensure overall affordability:
- Adjust the low prior attainment factors and / or deprivation factors; and
  - Cap and/or scale back gains for those schools that gain funding under the formula.

7.4.2 Appendix 1 sets out the proposed school funding formula factors.

## 7.5 Early Years DSG Block Funding Formula

7.5.1 The national Early Years Funding Formula was introduced in April 2017. The funding arrangements for 2022/23 guiding the structure of the formula remain unchanged. The maximum a council will be able to retain for central spend will remain at 5% requiring for 95% pass through regulation and to manage the affordability of the formula.

7.5.2 The provisional Early Years DSG block allocation will be published in December 2021, whilst the actual allocation will not be known until end of 2022/23 as the grant is based on pupil census data taken in January 2022 and 2023.

7.5.3 The Council will be consulting with key stakeholders on the formula in November 2021, ahead of the decision to be presented to Schools Forum in January 2022 which will be proposing to not make any changes to the formula.

## 8. Housing Revenue Account (HRA) Budget Strategy

8.1 The HRA budget strategy will be presented to Cabinet for review in January 2022.

## 9. Budget Process and Timetable

9.1 The Council has a well-established Budget Review Process that integrates financial planning with corporate planning and considers the wider impact on the community through equalities impact assessments.

Table 7: Budget Activity Timetable

Date	Activity
November 2021	<ul style="list-style-type: none"><li>Schools Forum</li></ul>
December 2021	<ul style="list-style-type: none"><li>Provisional Local Government Finance Settlement</li><li>Cabinet report reflecting the updated MTFS forecasts and funding position</li></ul>
January 2022	<ul style="list-style-type: none"><li><i>Final Local Government Finance Settlement (provisional)</i></li><li>Cabinet report to approve HRA budget for 2021/22 and 30-year business plan (including capital programme)</li><li>Section 151 officer agrees Tax Base and forecast</li></ul>

Date	Activity
	Collection Fund surplus under delegated authority <ul style="list-style-type: none"> <li>• Schools Funding Report update to Schools Forum</li> </ul>
February/March 2022	<ul style="list-style-type: none"> <li>• Consultation with Ealing Business Partnership</li> <li>• Budget proposals to Cabinet and Overview &amp; Scrutiny Committee</li> <li>• Cabinet considers final budget proposals and makes recommendations to Full Council</li> <li>• Council approves Budget &amp; Council Tax for 2022/23</li> <li>• Council decision to approve updated Flexible Use of Capital Receipts policy (<i>if required</i>)</li> </ul>

## 10. Legal

10.1 The Council has a legal duty to set a balanced budget.

10.2 The Council is required to monitor and review, from time to time during the year, its income and expenditure against budget, using the same figure for financial reserves. If, having conducted the review, it appears to the Council that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation, and be ready to act if overspends or shortfalls in income emerge. (Section 28 of the Local Government Act 2003).

## 11. Value for Money

11.1 The budget setting process addresses the Council's performance in delivering national and local priorities and focuses on the needs of its communities. The budget process will require services to demonstrate this through their budget proposals submissions.

11.2 The Council consistently monitors performance and finance in tandem, to ensure that services are commissioned and provided for, as well regularly adjusting its activities to improve performance and achieve better value for money. The budget process sets the approach, providing the framework in which the Council can look to improve performance and achieve better value for money.

## 12. Sustainability Impact Appraisal



12.1 Not applicable.

### **13. Risk Management**

13.1 It is important that spending is contained within budget so that the Council can maintain its financial standing in the face of further pressure on resources in 2022/23 and beyond as set out in the annual review of the Medium-Term Financial Strategy (MTFS) approved by Cabinet in February 2021.

13.2 The local government finance settlement published in January 2021 only provided certainty for 2021/22, beyond this there remains a great deal of uncertainty. The MTFS therefore includes various assumptions on future funding which is based on Government announcements made to date.

13.3 The MTFS model will continue to be updated as greater clarity is provided by the Government on their medium-term funding plans.

13.4 Given the uncertainties of the economic environment, impact of COVID-19 and the anticipated scale of the expenditure reductions required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks are;

- included in the Corporate Risk Register;
- regularly reported to Audit Committee; and
- reviewed through updated Budget and MTFS Strategy reports to Cabinet.

13.5 Since 2013/14, the balancing of the budget in-year depends upon the Council achieving its council tax and business rates projections which are closely monitored by the Financial Strategy Group.

13.6 The most immediate risk to the budget process are:

- unfunded income loss pressures because of the pandemic particular in relation to Council Tax and Business rates income. The Council will continue to closely monitor the impact of these income streams and support lobby to government as region to ensure the Council can be full compensated for these losses;
- non-delivery of the approved savings; and
- social care placement pressures, which continue to be partly mitigated by spend controls, transformational cost reduction programmes and close monitoring by SLT and by the Leader and the portfolio holders for Finance and Leisure, Health & Adult Services and Schools & Children's Services.

13.7 The Council is faced with an uncertain financial climate over the medium to long term which presents a high risk to the authority and there remains potential for

further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the council remains sensible and necessary. The Chief Finance Officer, as the council's Section 151 Officer, is required to state whether the reserves are adequate as part of the annual budget setting process.

- 13.8 The Council's MTFS is continually under review and builds in projections for the MTFS period and beyond as further details and analysis become available. These updates are regularly reviewed by SLT and the portfolio holder and updates on the financial environment the Council is operating in are provided in Budget Strategy reports to Cabinet. Any sustainability impacts will be considered before final decisions are taken on whether to implement each proposal.

#### **14. Community Safety**

- 14.1 Not applicable.

#### **15. Links to Strategic Objectives**

- 15.1 The Council's medium-term financial strategy, budgets and capital programme are designed to deliver the Council's strategic priorities. The budget set for 2021/22 supported delivery of national and local priorities.

#### **16. Equalities Analysis Assessments (EAAs)**

- 16.1 There is no requirement for an Equality Impact Assessment as part of this report.

#### **17. Regarding the Council's Public Law Duties**

- 17.1 When making decisions the Council must act reasonably and rationally. It must consider all relevant information and disregard all irrelevant information and consult those affected, considering their views before final decisions are made. It must also comply with its legal duties. Many proposals will impact upon third parties and where this is the case there may be a requirement for the Council to consult those affected before a final decision is taken on whether to implement the proposal or to amend the proposal prior to implementation.

#### **18. Staffing/Workforce and Accommodation Implications**

- 18.1 There are no direct staffing/workforce and accommodation implications arising from this report.

#### **19. Property and Assets**

- 19.1 Not applicable.

## **20. Any Other Implications**

20.1 The overall financial position of the Council impacts on the future provision of all Council services.

## **21. Consultation**

21.1 Information and explanations have been sought from directorates on specific aspects of this report and their comments have been incorporated.

## **22. Appendix**

- Appendix 1 - 2022/23 Ealing's School Funding Formula

## **23. Background Information**

23.1 Cabinet reports:

- Budget Update Report 2021/22 – 10 November 2021
- Budget Strategy and MTFS 2022/2 to 2024/25 – 13 October 2021
- Budget Update Report 2021/22 – 22 September 2021
- Budget Strategy and MTFS 2022/2 to 2024/25 – 14 July 2021
- Revenue and Capital Outturn – 16 June 2021
- Budget Strategy and MTFS 2021/22 To 2023/24 – 22 February 2021

## Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
<b>Internal</b>				
Ross Brown	Chief Finance Officer	Continuous	Continuous	Throughout
Paul Najsarek	Chief Executive	12/11/2021	17/11/2021	Throughout
Judith Finlay Lucy Taylor	Executive Directors	12/11/2021	17/11/2021	Throughout
Kieran Read	Director of Strategy & Engagement	12/11/2021	17/11/2021	Throughout
Helen Harris	Director of Legal and Democratic Services	18/11/2021	24/11/2021	Legal section
Councillor Steve Donnelly	Cabinet Member for Inclusive Economy	12/11/2021	23/11/2021	Throughout
Councillor Peter Mason	Leader of the Council	18/11/2021	23/11/2021	Throughout
Tamara Quinn	Assistant Director – Planning, Resources and Service Development	Continuous	Continuous	Recommendation 1.8 and Section 7

## Report History

<b>Decision type:</b> For decision		<b>Urgency item?</b> No	
Authorised by Cabinet member:		Report deadline:	Date report sent:
<b>Report</b>	<b>Report authors and contacts for queries:</b> Shabana Kausar, Assistant Director Strategic Finance, 020 8825 7549		