Report for: **DECISION**	
Item Number:	

Contains Confidential or Exempt Information	**No**
Title	**BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2024/25 TO 2027/28**
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Portfolio	Councillor Steve Donnelly, Cabinet Member for Inclusive Economy
For Consideration By	Cabinet
Date to be considered	7 February 2024
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Affected Wards	All
Area Committees	All
Keywords/Index	Budget strategy, Medium-Term Financial Strategy (MTFS), Capital Strategy, Treasury Management Strategy, Business Rates, Savings, Council Tax

Purpose of Report

The Budget and Medium-Term Financial Strategy forms part of a framework of strategies that set out the activities to support the delivery of the council's statutory duties, Council Plan, its vision, priorities and long-term goals. The Medium-Term Financial Strategy describes how the council will allocate resources to deliver these activities within the resources the council expects to have over the next four years.

The administration, and the council, believe in community resilience and community power. The Council Plan sets out a clear ambition to move to a community centred model, reflecting the desire to help and support families, neighbours and communities to be involved in each other's lives and to offer the kinds of formal and informal support networks that have for decades held communities together.

Ealing’s residents want to live in vibrant, connected places full of pride and identity and the council is committed to using its resources to strengthen and multiply assets in communities and the social connections that make this possible.

This report sets out how the council’s 2024/25 Budget and Medium-Term Financial Strategy will help the council achieve its vision in the context of continuing constraints on funding and increasing demand for, and cost of, its services.

Index to Report: Budget Strategy and MTFS 2024/25 to 2027/28

1. Recommendations

1.1. It is recommended that Cabinet:

Revenue Budget

1.2. Approves total General Fund savings of £32.847m over the MTFS period 2024/25 to 2027/28, of which £15.918m is to be delivered from the General Fund in 2024/25 (section 11.23 and Appendix 2).

1.3. Authorises the Strategic Director with responsibility for each proposal (including fees and charges) to:

a) carry out all steps required in relation to each proposal, including carrying out any consultation.
b) consider any consultation outcomes and other detailed implications.
c) complete and consider the implications of any equalities analysis assessment required.
d) following completion of 1.3(a), 1.3(b) and 1.3(c) above:
   i) determine whether to amend any proposal prior to implementation;
   ii) determine whether a further report needs to be considered by Cabinet, the relevant portfolio holder or officer before a final decision is taken on implementation; and
   iii) where a decision is taken not to proceed with any proposal, bring forward alternative proposal(s).

1.4. In relation to savings proposals that are cross-cutting across more than one service, authorises the Strategic Director with primary responsibility for the proposal to complete any required equalities analysis assessments and to consider the outcome, and any other implications, following consultation with the Strategic Directors of other services, prior to taking any decisions to implement such proposals.

1.5. Notes the latest Medium-Term Financial Strategy (MTFS) for 2024/25 to 2027/28 (Section 11).

1.6. Approves £38.796m of revenue growth for pressures in 2024/25 (paragraph 11.7) which will be included in departmental control totals used for the service budget setting process.

1.7. Notes that the General Fund balance is scheduled to be £17.732m for 2023/24 and notes the forecast levels of earmarked reserves (paragraph 17.12 and Appendix 10).

1.8. Notes that the council can agree a balanced budget for 2024/25 and that any remaining budget gap following the Council Tax decision by Full Council on 5

March 2024 will be closed using reserves.

1.9. Notes the delay in the publication of the Final Local Government Finance Settlement and delegates any further changes to the budget proposals as a result of changes in funding to the Strategic Director, Resources in consultation with the Leader and the Cabinet Member for Inclusive Economy.

Fees and Charges

1.10. Approves the schedule of fees and charges for 2024/25 (paragraph 10.4 and Appendix 3).

Business Rates Discount

1.11. Approves (in accordance with powers granted under Section 47 of the Local Government Finance Act 1988) the continued offering of a discount in National Non-Domestic Rates (NNDR) of two times the cost of accreditation to the first 100 businesses in Ealing which are, or which will become accredited with the Living Wage Foundation and who meet the criteria as set out in the February 2016 Cabinet report: Discretionary Discount Scheme for Businesses accredited to Living Wage Foundation and extend the offer to new applicants, for 2024/25 (paragraphs 7.4 – 7.5).

1.12. Authorises the Strategic Director, Resources to make determinations in relation to applications for such NNDR discounts, in accordance with the council's adopted criteria.

Schools Budget

1.13. Notes the outcome of 2024/25 School Funding Formula changes as agreed in consultation with the Schools Forum (Section 13) and authorises the Strategic Director, Resources to consider and, following consultation with the portfolio holder for a Fairer Start, to take on behalf of the council any actions necessary for the council to fulfil requirements for Dedicated Schools Grant (DSG) budgets.

1.14. Approves the Dedicated Schools Grant (DSG) School Funding Formula for 2024/25 as set out in section 13.

1.15. Approves the Dedicated Schools Grant (DSG) Early Years Funding Formula Factors for 2024/25 (paragraphs 13.4 & 13.12).

Housing Revenue Account (HRA)

1.16. Notes the HRA revenue budget for 2024/25, as presented to Cabinet in the '*Housing Revenue Account (HRA) Business Plan 2024-25'* report elsewhere on this Agenda (Section 14).

1.17. Notes the verbal feedback from the Portfolio Holder from the following meetings with regards to the budget proposals:

a) Ealing Business Partnership meeting held on 1 February 2024; and

b) Overview and Scrutiny meeting held on 6 February 2024.

1.18. Endorses and approves the following recommendations to Full Council on 5 March 2024, that it:

1. Revenue Budget 2024/25 and Medium-Term Financial Strategy 2024/25 to 2027/28:

a) Considers and approves the Revenue Budget for 2024/25 as summarised in Appendix 1.

b) Considers the advice of the Strategic Director, Resources on the levels of reserves and robustness of estimates in setting the budget as required by Section 25 of the Local Government Act 2003 (Section 17).

c) Notes the financial risks and pressures set out in the report (Section 11 and Section 21).

d) Approves the Parking Account 2024/25 (Section 12 and Appendix 5).

e) Approves the draft Schools budget of £335.412m and agrees that any changes to the budget reasonably required as a result of the final 2024/25 DSG settlement are delegated to the Strategic Director, Children's Services following consultation with the Strategic Director, Resources (Section 13).

f) Approves for the Strategic Director, Resources to agree appropriate actions to comply with DSG guidance, including agreeing the appropriate Deficit Recovery plan for DSG (Section 13).

2. Capital Programme 2024/25 – 2027/28

a) Approves the new General Fund capital programme additions totalling £151.601m, £1.962m of budgets to be decommissioned and budget re-profiling (paragraphs 15.7 & 15.8 and Appendix 6).

b) Approves the updated profile of the current Capital Programme, as set out in Section 15 and Appendix 7.

3. Capital Strategy, Treasury Management and Pension Fund

a) Approves the Treasury Management Strategy including the associated Prudential Indicators and Annual Investment Strategy (Section 16 and Appendix 9).

b) Approves the Treasury Management Policy Statement (Appendix 9).

c) Notes the Strategic Director, Resources will implement the Treasury Management Strategy under existing officer delegated powers (Appendix 9).

d) Approves the Minimum Revenue Provision (MRP) policy (Appendix 9).

e) Notes that the council manages cash on behalf of the Pension Fund and West London Waste Authority in accordance with the Treasury Management Strategy (Appendix 9).

f) Approves the Capital Strategy (Appendix 8).

4. Council Tax and Business Rates

a) Approves the officer recommendation of an increase of 2% for the Social Care Precept and an increase of 2.99% for Council Tax in 2024/25 (paragraph 8.7).

b) Notes the proposed Greater London Authority (GLA) Band D precept of £471.40 for 2024/25 (paragraph 8.3).

c) Notes that the Strategic Director, Resources calculated under delegated authority on 11 January 2024 the amount of 123,109.5 as the Council Tax Base, being the number of properties in Bands A-H in the borough, expressed as an equivalent number of Band D units for the year 2024/25; in accordance with regulation 3 of the Local Authorities Calculation of Council Tax Base Regulations 1992 as amended made under Section 335 and 344 of the Local Government Finance Act 1992 (paragraph 8.1).

d) Notes the forecast Collection Fund position for 2023/24 (paragraph 9.5).

e) Notes the council’s share of the council tax and business rates income forecast for 2024/25, as approved by the Strategic Director, Resources (paragraph 7.3 and paragraph 8.8).

f) Approves the continuation of a premium on top of the standard council tax for properties which have been empty for more than 2 years and to commence an additional 100% charge for the properties empty for more than one year from 1 April 2024 (paragraphs 8.9-8.15)

g) Approves the introduction for charging a premium on top of the standard council tax for properties which are not occupied as a household’s sole or main residence (second homes) from 1 April 2025 (paragraph 8.16).

h) Approves the continuation of the Local Council Tax Reduction Scheme for the financial year 2024/25 as approved by Cabinet on 7 December 2022 (paragraphs 8.17 to 8.37, Appendix 4).

2. Reason for Decision and Options Considered

2.1. The main purpose of this report on the 2024/25 Budget and Medium-Term Financial Strategy (MTFS) is to enable Cabinet to consider the budget proposals and make recommendations to Full Council when it finalises the budget and sets the council tax on 5 March 2024.

2.2. The council has continued to provide budget growth in services that experience significant and continued demand and market pressures, with prioritisation being given to the most vulnerable groups. Due to the complexity of the service provision, against the backdrop of continuing uncertainty of long-term government funding, notwithstanding the increase in cash-terms in funding in the Provisional Local Government Finance Settlement, these services continue to operate in a challenging resource environment where small demand changes can lead to material budget variances.

2.3. The savings proposals in this report align with the strategic vision, Council Plan and the Medium-Term Financial Strategy on the allocation of resources. Some of the savings proposals will have further implications which will only emerge following detailed planning and consultation. Where this is the case, those implications will be considered before a final decision is taken on implementation, including whether a proposal should be amended. Where detailed proposals result in a lower financial saving, it is the responsibility of the relevant Strategic Director to find alternative replacement savings.

2.4. Any consultation in relation to proposals will be carried out as required and in accordance with the council's legal duties and responsibilities.

3. Approach to Budget and Medium-Term Financial Strategy

3.1. The council's Budget and Medium-Term Financial Strategy (MTFS) supports the Council Plan and the key priorities of the council over the MTFS period.

3.2. The budget process is priority-led, aligning the allocation of resources with the council administration's priorities and ensuring the council can meet its statutory duties. There are three key priorities for Ealing supported by nine priority outcomes covering the MTFS period:

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

3.3. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the council to achieve its vision and strategic objectives. It reflects the impact of government funding decisions and the wider national and local economic context. It provides a robust financial framework to support the achievement of the council's overall objectives and delivery of services to its residents.

3.4. The MTFS is developed based upon the following principles.

- Robust budget setting, taking account of known pressures, prepared in consultation with Strategic Directors.
- Regular monitoring of budgets and robust management and mitigating actions to address unplanned variances that arise in-year, reporting to the Strategic Leadership Team (SLT) and Cabinet.
- Appropriate levels of income with effective debt management, with prompt collection of sums owed to the council and monitoring of debt levels.
- Prudent assessment of future resources and cost pressures.
- Production of detailed implementation plans for all savings proposals and monitoring of delivery.
- Maximisation of external grant funding to meet priorities.

- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances to mitigate potential financial liabilities and commitments and enable investment in transformation and change to deliver future savings.
- Prudent and planned use of reserves to fund one-off expenditure.
- Effective forecasting and management of the council's cash flow requirements and effective management of treasury management risks and opportunities.
- Integration of revenue and capital decisions, to ensure the revenue implications of capital projects are reflected in the MTFS.
- Prudent and proportionate use of borrowing powers for capital investment that is not funded by capital receipts or contributions from third parties.

3.5. The 2024/25 budget has been set in the context of continuing economic and funding uncertainty within local government. A number of local authorities have either already issued Section 114 notices or issued warnings of their financial position as a result of significant demand and market pressures; reflecting rapidly increasing costs which are not met by commensurate increases in government funding.

3.6. The approach in setting the budget has been to limit or mitigate growth wherever possible while continuing to provide statutory services, however the nature and the extent of pressures being experienced in demand-led services has meant that significant growth has been included in the budget to meet these pressures. This has been mitigated wherever possible through the following actions:

- Robust identification of pressures, prepared in consultation with Strategic Directors.
- The funding of pay and contract inflation.
- Ensuring related income is maximised, through charges to and income from third parties benefiting from the services.
- Rigorous mitigation and management measures, such as demand and market management.
- Review of corporate budgets, including treasury management.
- Review of fees and charges.
- Directorate and service-led transformation and savings proposals over the MTFS period.

4. The National Context

UK National Finances

4.1. Within the context of continuing geopolitical uncertainty, with armed conflict in eastern Europe and in the Middle East, and increasing tensions in the Pacific, the UK economy has remained sluggish in its recovery from the

Covid pandemic and lockdown. Gross domestic product (GDP) contracted by 0.1% in Quarter 3, leaving the UK economy only marginally larger compared with the year before, as higher prices and tighter financial conditions led to a slowing in the economy.

4.2. There was a further cooling in labour demand, as job vacancies fell for the 17th consecutive period in the September to November 2023, while annual growth in wages softened. However, the UK domestic labour market is still having to contend with very low unemployment (4.2%) and the total number of job vacancies remains below one million.

4.3. UK Public sector net borrowing was £14.3 billion in November 2023. This is £0.9 billion lower than November 2022, although it is still the fourth highest on record for a November. This has led to public sector debt being at 97.5% of GDP.

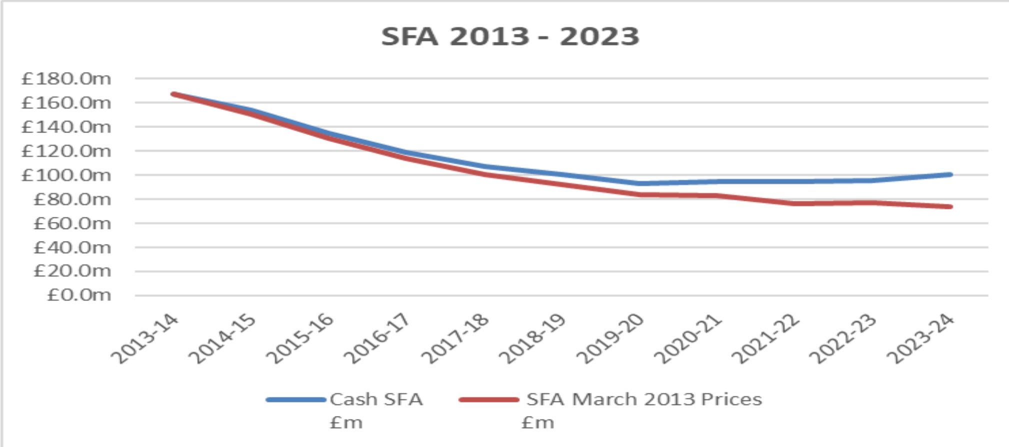
4.4. Continuing a four month decline in inflation, the consumer price index (CPI) fell sharply in November 2023 to 3.9%. Although the December 2023 figure has ticked up to 4%, most independent economic forecasts are predicting inflation to fall to below the Bank of England's target of 2% by April 2024.

4.5. Despite the fall in inflation, the Bank of England Monetary Committee has remained hawkish in its attitude to interest rates, partly because of the possible impact of tensions in the Red Sea leading to higher oil and goods prices. It is therefore possible that monetary policy will remain tight until there is evidence of a persistent fall in inflationary pressures. However, if CPI does fall below its target of 2% by April 2024, there will be pressure for the Bank to cut rates in the face of sluggish economic growth or even a recession.

Local Government Finances

4.6. The 2024/25 budget has been set within the context of over a decade of reducing funding and increasing demand for council services. Graph 1, below, shows that since 2013/14, the council's Standard Funding Assessment (SFA), which is the Baseline Funding and Revenue Support Grant determined by central government, has fallen by 40% in cash terms and 56% in real terms.

Graph 1 – Standard Funding Assessment 2013-2023



4.7. For over a decade, central government has promised to reform the funding of local government to make it fairer and more predictable. The Fair Funding Review, announced in 2013/14 has been continually delayed and is now rarely mentioned. The government's stated policy towards local government funding is to provide councils with greater certainty on key aspects of their funding, which is vital for the budget setting and medium-term planning process. However, since 2018/19 the Local Government Finance Settlement has provided single year settlements, despite the sector lobbying for multi-year settlements to enable better and more strategic budget setting.

4.8. As the demand pressures on local authorities has continued to grow, and funding in real terms has decreased over the last decade, there is increasing concern about the financial sustainability of a greater number of local authorities, and the sector as a whole. In part as a response to this, the government have set up the Office for Local Government (Oflog) in July 2023. The published vision for the Office for Local Government (Oflog) is for it to provide authoritative and accessible data and analysis about the performance of local government, and support its improvement, which has commenced through the gathering of data on specific areas of local government. In part, these can be used as early warning indicators of local authorities in financial distress.

5. Local Government Finance Settlement

5.1. The 2024/25 Provisional Local Government Finance Settlement was announced by the Secretary of State on 19 December 2023, and at time of writing the Final Settlement is still awaited. As has been the case for the last six years, it is for one year only and is based on the Spending Review 2021 (SR21) funding levels, updated for the 2023 Autumn Statement announcements. Ministers have said the settlement is an above-inflation increase in councils' Core Spending Power for 2024/25, with an increase of

6.5% in cash terms.

5.2. The broad policy approach in the settlement is:

a) a uniform roll-over of core elements of the settlement, preserving current distributions, and continuation of other features.

b) additional funding for priority services, namely Adult Social Care and Children's Social Care (announced in the Autumn Statement 2022)

c) striking a balance between raising resources locally for funding pressures and protecting local taxpayers, through council tax referendum principles

d) a further one-off funding guarantee, to ensure that all councils see a minimum 3% increase in their Core Spending Power before decisions on council tax.

5.3. The declared aim is stability for budgeting purposes, which in turn requires a delay to all significant policy changes. There are no new resources for service provision arising from the Autumn Statement 2023, no new public policy and no attempts to implement finance reform in local government. The main effort in DLUHC this year will be in coping with the complexity in the business rates retention system, which flows from the decoupling of the Small Business Rates Multiplier from the Standard Multiplier.

5.4. Since the publication of the Provisional Local Government Settlement and before the Final Local Government Settlement is available, the government announced on 24 January 2024 that £600m additional funding will be distributed to local authorities in the final Local Government Finance Settlement. £500m of this will be added to the social care grant and the further £100m comprises of an increase to the Funding Guarantee from 3% to 4%, £15m for the Rural Services Delivery Grant, £3m for authorities with Internal Drainage Boards, and additional funding for the Isle of Wight and the Isles of Scilly with the remainder distributed through the Services Grant.

5.5. The Office of Budget Responsibility figures suggest real terms growth in public expenditure budgets of 0.9% over the period 2024/25 to 2028/29. Once the requirements for protected budgets are factored in, this suggests 1.8% real terms cut in unprotected budgets (such as local government) over the same period. If inflation is around 2%, this would mean a series of flat-cash settlements. So, if current plans are sustained, resources will be very tight.

5.6. The timing of the general election and the Spending Review which will likely follow, suggest that there may well be at least one further one-year settlement in 2025/26 unless there is an early election and an immediate decision to implement a multi-year settlement based closely on the current approach (without significant finance reform). The key decision for local government post-election will therefore be whether and how to pursue local government finance reform.

5.7. Under the provisional settlement nationally, Core Spending Power (CSP), central government's preferred method of expressing local government funding, increased by 6.5%. In London, it increased by 6.4%. Table 1 below provides a summary of the changes for England. The new funding announced on the 24 January 2024 will result in an increase of 7.5% nationally, although details of the allocations will not be provided until the Final Local Government Finance Settlement.

Table 1 – England Local Government Core Spending Power 2023/24 and 2024/25

Local Government Core Spending Power	2023-24 (£m)	2024-25 (£m)	Change (£m)	Change (%)
Settlement Funding Assessment	15,671	16,563	892	5.7%
Compensation for under-indexing BR multiplier	2,205	2,581	377	17.1%
Council Tax Requirement	33,984	36,062	2,078	6.1%
Improved Better Care Fund	2,140	2,140	0	0.0%
Social Care Grant	3,852	4,544	692	18.0%
ASC Market Sustainability and Improvement Fund	562	1,050	488	86.8%
ASC Discharge Grant	300	500	200	66.7%
New Homes Bonus	291	291	0	0.0%
Rural Services Delivery Grant	95	95	0	0.0%
Services Grant	483	77	-406	-84.1%
Adjustments for rolled in grants	480	0	-480	-100.0%
3% CSP Funding Guarantee	133	197	63	47.4%
Core Spending Power (£m)	**60,197**	**64,100**	**3,903**	**6.5%**

5.8. To some extent, this does not present the whole picture for the change and level of spending power by local authorities. The **Standard Funding Assessment (SFA)**, which is the sum of retained business rates and Revenue Support Grant (RSG) does not include business rates growth above the inflated baseline. The Council Tax Requirement assumes all local councils increase council tax and social care levies by the full amount and assumes council tax base growth is the average of the previous five years. In reality, this will be different.

5.9. The **SFA** (business rates and RSG) is increased the by the September CPI (6.7%) from April 2024. In relation to business rates, the small business multiplier will be frozen for a fourth consecutive year and the 75% business rates relief for retail, hospitality and leisure extended for 2024/25, and local authorities will continue to be fully compensated for the loss of income.

5.10. For **council tax**, there will continue to be limits to increases that are deemed to be excessive and will trigger the need for a council tax referendum. The referendum limit of up to 2.99% will represent the trigger for all authorities, except Shire Districts (higher of £5 or 2.99%); Parishes (no limit); Police Authorities (£15); all fire and rescue authorities (£5); and non-police elements of council tax for Mayoral Combined Authorities (no limit).

5.11. The GLA's relevant basic amount of council tax is deemed excessive if the GLA's adjusted relevant basic amount of council tax for 2024/25 is more than £37.26 greater than its adjusted relevant basic amount of council tax for 2023/24.

5.12. In addition, and as in recent years, there will be an adult social care (ASC) precept of up to 2% in 2024/25.

5.13. There are also bespoke and higher core council tax referendum limits for a small number of councils experiencing financial difficulties (Thurrock, Slough and Woking).

5.14. For social care grants, the **Improved Better Care Fund** has remained the same as 2023/24 (without any inflationary increase), while the **Social Care Grant** increased by £692m. Of this, £532m is distributed using the 2013/14 adult social care relative needs formula, with £160m distributed using the formula but also equalising for the social care precept. The announcement on 24 January 2024 included an increase in the Social Care Grant of a further £500m, although its distribution has not been confirmed.

5.15. The **ASC Market Sustainability and Improvement Fund (MSIF)** was expected to increase by £283m in 2024/25. However, the overall increase is now less than that, due to the MSIF Workforce Fund grant being rolled in. The MSIF Workforce Fund, which was announced in July 2023, was worth £365m in 2023/24. The 2024/25 equivalent amount is only £205m, resulting in a £123m increase overall, when the grants rolled in are added to 2023/24.

5.16. The MSIF is intended to assist local authorities to make tangible improvements to adult social care, in particular to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation.

5.17. In 2024/25, the **ASC Discharge Grant** is worth £500m, and is intended to form part of Better Care Fund plans, aimed at reducing delayed transfers of care. The NHS is receiving the same amount to also put into Better Care Fund plans, for a total of £1bn across both sectors. The £500m grant is allocated on the basis of improved Better Care Fund shares.

5.18. Outside of social care grant funding, the **New Homes Bonus** grant will continue in 2024/25 as an annual grant for a single year only using the same calculations as the previous year.

5.19. The **Services Grant** is allocated based on SFA shares after decisions on all other grants. For 2024/25 it has reduced in value from £483m to £77m. This reduction of £406m is used to fund:

a) an additional £80m social care grant;
b) an additional £64m minimum funding guarantee;
c) £180m growth in RSG; and
d) an undisclosed amount held by DLUHC as a contingency.

5.20. The list above suggests that the entirety of revenue support grant, social care grant and funding guarantee increases could have been funded by reductions to the services grant, with another £80m to get back to the 2023/24 total.

6. Grant Funding for Ealing

6.1. The Final Local Government Finance Settlement will confirm the allocation and detail of the following grants. However, the prior to the additional funding announcement on 24 January 2024, the Provisional Settlement provided a strong indication of what these will be, and these figures are included throughout the report. The MTFS prudently assumes that government grant funding will continue at the 2024/25 level (cash flat), except for the New Homes Bonus which has been described as a final year.

6.2. The distribution of the £600m additional funding announced on 24 January 2024 and Ealing's grant allocations will be confirmed at the Final Local Government Finance Settlement. The recommendations request that Cabinet delegate changes to the budget proposals in relation to any additional funding in the Final Local Government Settlement to the Strategic Director, Resources in consultation with the Leader and the Cabinet Member for Inclusive Economy.

6.3. The **Revenue Support Grant (RSG)** can be used to finance revenue expenditure on any service. It forms a part of the Standard Funding Assessment by which government allocates funding to all local authorities in relation to their size and need. For Ealing, the RSG increased in line with September 2023 CPI to £21.798m.

6.4. The **Social Care Grant** is provided to upper tier authorities for both Adult and Children's Social Care, to meet the expenditure pressures within the social care system. The amount for 2024/25 was originally announced in the 2023/24 Settlement, however the recent Settlement has increased the national pot by £692m and the latest announcement in January 2025 increased that further by £500m. The grant for Ealing in 2024/25 is £26.613m, before the recent announcement with the final grant allocation to be confirmed in the Final Local Government Settlement.

6.5. The **Improved Better Care Fund** has remained at £12.680m, the same level as the previous two years without any inflationary uplift. Councils spend the grant following agreement of local plans with Integrated Care Boards (ICB). Ealing has agreed a local plan which will continue to deliver adult social care placements and services.

6.6. The government has confirmed the **New Homes Bonus (NHB)** will continue in 2024/25 with a new round which will attract no legacy payments. Ealing will receive £5.310m and this is expected to be the final year of the NHB grant.

6.7. The **Adult Social Care (ASC) Market Sustainability and Improvement Fund (MSIF)** is to address discharge delays; social care waiting times; low fee rates; workforce pressures and to promote technological innovation, the Settlement has confirmed £6.202m for 2024/25, which although an increase from 2023/24 is less than expected due to the rolling in of the Workforce Fund at a reduced amount. However, the grant contributes to maintaining the increasing current cost of care.

6.8. The previous 2023/24 Settlement introduced the **Adult Social Care Discharge Grant**, which is pooled with the Better Care Fund to support improvements to adult social care and in particular, to address discharge delays, social care waiting times, low fee rates and workforce pressures in adult social care. As announced in the 2023/24 Settlement, this funding has been confirmed at £2.963m for 2024/25. This is forecast to provide a full year's funding for current levels.

6.9. The **Services Grant** was introduced in 2022/23 as a one-off grant to fund the cost of delivering services due to changes in government policies. This grant has continued into 2024/25, although with a sharp reduction for Ealing from £2.627m to £0.491m.

6.10. The Public Heath Grant and Homelessness Prevention Grant do not form a part of the Finance Settlement and at the time of writing these grants are still to be notified.

6.11. Table 2 summarises the government grants to be paid to Ealing in 2024/25 to fund service expenditure within the General Fund (prior to the 24 January announcement).

Table 2 – Grant Funding 2023/24 and 2024/25

Grant Funding	2023/24 (£m)	2024/25 (£m)	Change (£m)	Change (%)
Improved Better Care Fund	12.680	12.680	0.000	0.00%
Social Care Grant	22.532	26.613	4.081	18.11%
ASC Market Sustainability and Improvement Fund	5.475	6.202	0.727	13.28%
ASC Discharge Grant	1.778	2.963	1.185	66.65%
New Homes Bonus	4.888	5.310	0.422	8.63%
Services Grant	3.118	0.491	-2.627	-84.25%
Total	**50.471**	**54.259**	**3.789**	**6.50%**

7. Business Rates

7.1. The Business Rates Retention System (BRRS) enables Ealing, as a billing authority, to retain 30% of the business rates it collects. The remaining 70% is divided between the Department for Levelling Up, Housing & Communities (DLUHC) receiving 33%, and the Greater London Council (GLA) receiving

37%. The forecast Business Rates to be collected is £169.823m, of which Ealing's General Fund retains £50.947m..

7.2. In successive Autumn Statements, the government have sought to protect businesses from increasing business rates valuations through transitional arrangements and freezing inflationary uplifts to multipliers. As a part of the Autumn Statement 2023, there will be an increase to the standard rate multiplier of 6.7% (September 2023 CPI). However, the small business rates multiplier will remain frozen. To compensate local authorities for the impact of central government policies, Section 31 grants are paid to local authorities. The Section 31 grants to be received by Ealing in 2024/25 total £26.823m.

7.3. The BRRS provides for adjustments to be made to local authorities where the government assesses a local authority's Business Rates Baseline to be less than its Baseline Funding level through the payment of a Top-up grant. For Ealing the Top-up Grant for 2024/25 is £26.385m.

Table 3: Retained Business Share

Retained Business Rates Share	2023/24		2024/25	
	%	£m	%	£m
Ealing's Share	30%	49.549	30%	50.947
GLA Share	37%	61.110	37%	62.835
Total Retained	**67%**	**110.659**	**67%**	**113.782**
Central Government Share	33%	54.504	33%	56.041
Total	**100%**	**165.163**	**100%**	**169.823**

Real Living Wage Business Rates Discretionary Discount

7.4. Since 2016, the council has operated a Real Living Wage Business Rates Discretionary Discount scheme which encourages employers to pay their employees a minimum of the Real Living Wage. This scheme gives employers who pay business rates in the borough the opportunity to apply for a rating discount equal to two times the Living Wage Foundation accreditation fee upon accreditation, or renewal. The scheme is limited to the first 100 employers to apply and has been extended each year.

7.5. Approval is now sought to extend the scheme for a further year from 1 April 2024 to 31 March 2025. This extended period only covers new applications for the discount and any ratepayers already receiving the discount could not apply again. All other scheme rules remain the same.

8. Council Tax

8.1. The council tax base is the number of properties in Bands A-H in the borough expressed as an equivalent number of Band D units. On 11 January 2024, under delegated authority, the Strategic Director, Resources has calculated the amount of 123,109.5 to be the council tax base for the year

2024/25 at a collection rate of 98% and adjusting for the Council Tax Reduction Scheme of 16,606.7 band D equivalent units.

8.2. The Mayor of London issued a consultation document on 19 December 2023 proposing an increase in the council tax precept of £37.26 from the 2023/24 level of £434.14 per Band D council taxpayer, rising to £471.40 in 2024/25. This is the equivalent of 8.58%. At the time of writing the Greater London Authority's (GLA) final draft budget is scheduled to be considered by the London Assembly on 22 February 2024. Should the Assembly agree a precept other than the amount set out in this report, then a revised Council Tax Resolution will be tabled at the Full Council meeting on 5 March 2024.

8.3. The amount of GLA precept per council tax band is set out in Table 4.

Table 4: GLA Proposed 2024/25 Council Tax by Band D

Valuation Band	A	B	C	D	E	F	G	H
GLA Precept	£314.27	£366.64	£419.02	£471.40	£576.16	£680.91	£785.67	£942.80

8.4. Within the Provisional Local Government Finance Settlement, the government has determined the maximum threshold for increases deemed to be excessive in the core council tax to be 2.99%, and the increase in the social care precept to be 2%. The final approval of the annual increase in Council Tax and Social Care Precept will be given by Full Council on 5 March 2024.

8.5. The level of council tax is a matter of judgment by members, having due regard to the professional advice of officers, and in particular to the advice of the Strategic Director, Resources on the robustness of the budget and on reserves and balances.

8.6. The financial value of additional income to Ealing of each 1% increase in Council Tax is approximately £1.7m. The table below shows the weekly and annual impact of each percentage rise on the Band D value of the Ealing element of the Council Tax.

Table 5: Council Tax Scenarios

Council Tax Increase (including Social Care Precept)	Ealing Band D Council Tax	Weekly Band D Increase Impact	Annual Band D Increase Impact
	(£)	(£)	(£)
0.00%	1,406.75	0.00	0.00
1.00%	1,420.82	0.27	14.07
2.00%	1,434.89	0.54	28.14
3.00%	1,448.95	0.81	42.20
4.00%	1,463.02	1.08	56.27
5.00%	1,477.09	1.35	70.34

8.7. The council recognises the impact of the cost of living crisis for its residents and seeks to balance any decisions on council tax increases with the need to fund increasing social care and temporary housing demand pressures following real terms reductions in funding from central government. To maintain financial sustainability into the medium to long term, the council's Strategic Director, Resources recommends increasing council tax by 2.99% and the social care precept by 2%. Table 6 shows the indicative council tax, analysed by the Ealing and GLA components.

Table 6: Council Tax bands 2024/25

Valuation Band	A	B	C	D	E	F	G	H
Core Council Tax	£855.27	£997.81	£1,140.36	£1,282.90	£1,567.99	£1,853.08	£2,138.17	£2,565.80
Social Care Precept	£129.36	£150.92	£172.48	£194.04	£237.16	£280.28	£323.40	£388.08
Total Ealing Council Tax	**£984.63**	**£1,148.73**	**£1,312.84**	**£1,476.94**	**£1,805.15**	**£2,133.36**	**£2,461.57**	**£2,953.88**
GLA Precept	£314.27	£366.64	£419.02	£471.40	£576.16	£680.91	£785.67	£942.80
Total Council Tax	**£1,298.90**	**£1,515.37**	**£1,731.86**	**£1,948.34**	**£2,381.31**	**£2,814.27**	**£3,247.24**	**£3,896.68**

8.8. Applying the Band D Ealing Council tax rate of £1,476.94 to the Band D Equivalent properties of 123,109.5 produces a yield of **£181,825,345.**

Council Tax Empty Property Premium

8.9. From April 2013, the government introduced legislation allowing authorities to charge a premium on top of the normal council tax for dwellings that have been empty and substantially unfurnished for at least two years (excluding those exempted from paying such as those under probate or where occupation is prohibited by law). This allowed Ealing to introduce a premium of 50% to be added to the Council Tax bill. The drive behind this was to reduce the number of properties left empty for long periods of time and to bring these back into use, particularly given the challenges of housing shortages seen in many areas.

8.10. In 2018, the government announced the extension of the empty property premium to double the amount of the premium to be levied and allow authorities to charge 100% additional amount from 1 April 2019. This was contained in Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

8.11. This charge could be levied on all long-term empty properties that had been empty for more than 2 years. Full Council on 26 February 2019 agreed to charge a 100% premium (increased from 50%) on top of standard council tax for properties which have been empty for more than 2 years with effect from 1 April 2019.

8.12. Further to this change, the government introduced legislation for this premium to be extended to allow authorities to charge a 200% premium from April 2020 for properties empty for over 5 years, and then a 300% premium from April 2021 for properties empty for over 10 years.

8.13. From April 2020, Full Council decided that in addition to the 100% premium being charged on properties empty for over 2 years, to charge a further 100% (300% in total) for those properties empty for more than 5 years.

8.14. From 1 April 2021, Full Council further extended this charge in line with legislation with a 300% premium to be charged (400% in total) for all qualifying properties empty for more than 10 years.

8.15. The government have recently amended the legislation and the following changes will be available to local authorities for empty properties such that the 100% premium (where owners are charged double the normal council tax) for properties empty over 2 years will now be chargeable after 1 year only. This would increase pressure on owners of these properties to ensure these homes are brought back into use as soon as possible. This change will be available for local authorities to introduce from 1 April 2024. The recommendations request that Full Council agree to the continuation of the premia previously agreed, and that this is now extended to properties that are empty for 1 year (from the previous 2 years.)

8.16. Additionally, under this new legislation councils will be able to charge a 100% premium on second homes (where the property is not occupied as someone's sole or main residence). This change would happen from 1 April 2025 to allow time to notify affected households to make any necessary changes before the commencement date.

Council Tax Reduction Scheme

8.17. Council tax reduction (CTR) caseload is divided into two main categories: pensioners and working age claimants. The pensioner category applies to those who have reached state pension retirement age. This category is protected, and council tax reduction is paid according to the regulations which are prescribed by central government. The Ealing CTR scheme for working age residents is a local scheme and the council is responsible for setting out eligibility criteria for the scheme.

8.18. The full scheme for Ealing is presented in Appendix 4, and in summary the scheme operates with four key features.

8.19. <u>Key Feature 1</u> is the entitlement to CTR based on income bands and on the net income of the applicant and their partner (if they live with one). The banded scheme provides a maximum 100% reduction for applicants who fall into the protected category, and up to 80% for all other applicants.

8.20. Under the income banded scheme, the calculation of entitlement to CTR is much simpler than under a means-tested calculation. All state benefits including tax credits are disregarded from the calculation. Applicants receive a discount based upon the level of their net income. The income bands are uprated in line with September CPI on an annual basis. Income bands for 2024/25 have been uprated by 6.7%.

8.21. Following the uprating, the income bands for 2024/25 have been set as shown in the table below:

Table 7: CTR Scheme Income Bands

	Protected			Non-protected		
Band	Income Bands £	Customer's contribution to Council Tax	CTR Award	Income Bands £	Customer's contribution to Council Tax	CTR Award
1	0.00 - 146.06	0%	100%	0.00 -146.06	20%	80%
2	146.07- 170.40	25%	75%	146.07 -170.40	40%	60%
3	170.41 - 194.74	40%	60%	170.41 - 194.74	50%	50%
4	194.75 - 219.10	50%	50%	194.75 – 219.10	60%	40%
5	219.11 - 243.44	60%	40%	219.11 - 243.44	70%	30%
6	243.45 - 267.77	70%	30%	243.45 - 267.77	80%	20%
7	267.78 - 292.13	80%	20%	267.78 - 292.13	90%	10%
8	292.14 - 316.47	90%	10%	292.14+	100%	0%
9	316.48+	100%	0%			

8.22. The claimant's CTR entitlement changes only if the earned income of the household changes sufficiently to move them from one band to another.

8.23. Key Feature 2 relates to non–dependant deductions. There are only three levels of deductions for non-dependants living with CTR applicants. Non-dependants are other adults living in the property as part of the household who are not liable to pay rent or council tax. The level of deductions set for 2024/25 are as follows:

£7.91 per week for those not in work
£14.61 per week for those in work earning below £183 per week.
£21.91 for those in work earning above £183 per week.

8.24. These deductions have also been uprated in line with the September 2023 CPI of 6.7%. Under the scheme, the non–dependant deductions do not apply if the claimant or partner is in receipt of care element of disability living allowance/ personal independence payment, or if a non-dependant is a full-time student.

8.25. Key Feature 3: one universal earning disregard of £36.51 per week (amount of money ignored from the earned income) is applied for couples and households with children. The disregard is also subject to uprating in line with September 2023 CPI.

8.26. Key Feature 4: No CTR is awarded to an applicant if their entitlement is less than £2 per week, to ensure the efficient use of the council time and resources.

CTR caseload

8.27. The makeup of the CTR caseload over the last 24 months is included in the table below.

Table 8: CTR caseload

Scheme Group	Apr-22	Nov-22	Apr-23	Nov-23
Pensioner	7,918	7,974	7,919	7,985
Working age (protected)	9,080	9,226	9,357	9,683
Working age (non-protected)	7,404	6,744	6,461	5,979
Total	**24,402**	**23,944**	**23,737**	**23,647**

8.28. Pensioner caseload accounts for a third (34%) and working age for two-thirds (66%) of the caseload. Whilst the pensioner caseload remains relatively static, there has been a steady increase of CTR recipients falling into the protected category and a decrease in numbers of non-protected households.

8.29. The caseload rose sharply during the Covid-19 pandemic, however, the service in now observing a slow reduction in CTR cases, especially those of working age who fall into non-protected category. This may reflect higher levels of employment and/or earnings for the households.

CTR expenditure

8.30. The cost of the scheme falls into two areas: scheme expenditure and scheme administration. The cost of administration is linked to the costs associated with the processing of housing benefit. These costs are met by grants from DLUHC and DWP.

8.31. The council also uprates the income bands annually in line with the September CPI, which for 2023 was 6.7%. This may result in some customers being entitled to more CTR from April 2024, however, it is anticipated that increases in minimum and real living wage will offset the impact of higher income bands.

8.32. For 2023/24, the council received a one-off grant of £630,696 from DLUHC to support CTR recipients with the cost-of-living crisis. The condition of the grant was to issue a minimum of £25 to all CTR recipients who do not receive a 100% reduction. The council had flexibility and discretion to decide how to distribute the remaining funding and awarded a one-off payment of up to £40 per household for those not entitled to a 100% reduction under the

CTR scheme. The total cost of making payments of up to £40 as a one-off award so far has been £385,437.90 with £245,258.10 increasing the discretionary council tax discount budget. The government have not indicated that there will be any continuation of additional CTR funding in 2024/25.

8.33. The expenditure in the table below includes the total value of the awards made to CTR recipients including the additional council tax support.

Table 9: Estimated CTR expenditure

Scheme Group	Estimated expenditure 2023/24 £m	Estimated expenditure 2024/25 £m
Pensioner Scheme	11.67	11.47
Working Age scheme	19.12	18.93
Additional Council Tax Support	(0.39)	0.00
Total	**30.40**	**30.40**

8.34. The expenditure does not take into account any potential council tax increases for 2024/25. A 1% increase in council tax will increase CTR expenditure by around £300k.

8.35. The actual CTR expenditure depends on the caseload during any financial year and any increase or decrease in CTR caseload will impact the CTR expenditure accordingly.

8.36. The actual level of awards made under CTR cannot be accurately determined as the scheme includes elements which are subject to external forces, including, for example, the number of successful claims. A further downturn in the economy and cost of living crisis would lead to an increase in claims and therefore an increase in the level of financial support.

8.37. In addition to CTR, the council provides a discretionary council tax discount, which is available to those in most need and unable to meet their council tax liability. The council's budget for the discretionary fund is £235,000.

9. Collection Fund

9.1. As a billing authority, Ealing Council collects council tax and non-domestic rates for itself and its preceptors. For council tax the Greater London Authority (GLA) is a preceptor, and for business rates the council collects these from all eligible businesses in the borough and distributes them to itself, the GLA and central government. The central government element of business rates is nationalised and redistributed to local government through the Standard Funding Assessment and other grants within the Local Government Settlement.

9.2. Statutory regulations require councils to account for annual council tax and business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any difference between the budgeted net council tax and business rates income and the actual is held on the council's balance sheet to be distributed in subsequent years.

9.3. Councils are required to calculate an estimated position of the Collection Fund in January each year which is used by the precepting authorities in setting its budget for the forthcoming year.

9.4. In calculating the estimated year-end balances the following two elements are included. These are:

a) The 2023/24 budget used an estimate of the Collection Fund surplus or deficit at 31 March 2023. This is then adjusted for the actual surplus or deficit when the financial year is closed.

b) An estimate of the 2023/24 in-year surplus or deficit on council tax and business rates collection.

9.5. Table 10 below provides the estimated balance on the Collection Fund at 31 March 2024 and the Ealing Council element. The total is a surplus of £8.272m, of which Ealing's share is £3.443m. This surplus is paid to the General Fund and is available to fund the 2024/25 budget, although on a one-off basis only.

Table 10: Net Estimated Collection Fund Position at 31 March 2024

General Fund Impact for Ealing	2023/24 Collection Fund			2023/24 LB Ealing Proportion Only		
	Council Tax (£m)	Business Rates (£m)	2023/24 Total (£m)	Council Tax (£m)	Business Rates (£m)	2023/24 Total (£m)
2022/23 Outturn Adjustment	0.810	(2.909)	(2.099)	0.619	(0.872)	(0.253)
2023/24 Estimated in-year Surplus (-) / Deficit (+)	(2.881)	(3.292)	(6.173)	(2.202)	(0.988)	(3.190)
2023/24 Estimated Surplus (-) / Deficit (+) Balance	**(2.071)**	**(6.201)**	**(8.272)**	**(1.583)**	**(1.860)**	**(3.443)**

10. Fees and Charges

10.1. The council charges for a range of services. Approval of fees and charges is dependent on relevant legislation so decisions may be made by Cabinet, Cabinet members, General Purposes Committee or by Officer Decision under delegated authority.

10.2. Any significant changes must consider, from an equalities perspective, the impact on paying customers of not only the proposed change in question but also of changes to other council fees and charges for which that individual may be liable. Policy should also balance the impact on those residents who use services where fees and charges are applied with the impact of the council taxpayer more generally, who will otherwise pick up the costs and increases to the costs of those services.

10.3. The council's approach to setting fees and charges for 2024/25 has been to increase any discretionary charges by inflation, where possible, to meet increased costs of providing those services or otherwise to recover the full costs of providing services. Where fees are set to provide commercial services, these will be reviewed and set in line with the market. Statutory fees and charges are set in line with those fees set by government. As part of the MTFS and budget process, reviews are planned during 2025/26 as part of the council's continuous assessment of recovery of full costs.

10.4. The proposed fees and charges schedule for 2024/25 is attached as Appendix 3, with a summary of income from fees and charges by each directorate shown in table 11 below.

Table 11 – Fees and Charges by directorate

Directorate	2023/24 Budget	Increase	2024/25 Budget
	£m	£m	£m
Adults' Services & Public Health	0.638	0.000	0.638
Children's Services	2.392	0.042	2.434
Economy & Sustainability	16.047	0.107	16.154
Housing & Environment	30.646	0.221	30.867
Resources	2.847	0.037	2.884
Strategy & Change	1.507	0.008	1.515
Total	**54.077**	**0.414**	**54.491**

11. Revenue Budget 2024/25 to 2027/28

11.1. The principles of developing the MTFS are set out in paragraph 3.4.

Inflation

11.2. Inflation has been based on a range of economic forecasts for the levels of CPI and RPI where contracts include a provision for contractual increases. After a significant period of stubbornly high inflation, inflation has started to come down and is predicted to reduce further heading into 2024/25 and over the medium- term. However, the council's contracts often specify an index at a certain month in the previous financial year, therefore contractual inflation estimates for 2024/25 remain high.

11.3. Where inflation is not specifically indexed within contracts (and therefore a contractual obligation) and given the challenging financial context, affordability will be the core principle underpinning uplifts in 2024/25. Consequently, where inflation is not specified in the contract, no budgetary provision is being made. This may result in a 0% uplift in some sectors. Commissioners are expected to work with providers to deliver contracted services within the available envelope using best-value commissioning, price benchmarking, and market management approaches while also meeting statutory duties. Notwithstanding this, the council will continue with its commitment to deliver Real Living Wage as a contractual requirement in the domiciliary care sector and other contracts.

11.4. Pay inflation has also been estimated based upon forecast inflation. Table 12 below summarises the inflation for each year of the MTFS.

11.5. Where expenditure is funded from other funding sources (for example grants, third party contributions), it is expected that any increases in funding are used first to meet increased inflationary costs.

Table 12 – Contract & Pay Inflation by year.

Inflation	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Contract Inflation	4.723	2.099	1.449	1.301
Pay Inflation	6.235	4.863	5.009	5.159
Total	**10.958**	**6.963**	**6.458**	**6.460**

Service pressures

11.6. Across the country, local authorities continue to face significant demand and market-driven pressures in delivering their services, especially in the areas of adults' and children's social care. In 2023/24, there has also been a significant increase in the demand for temporary accommodation and homelessness, and significantly increased costs due to the lack of supply of suitable temporary accommodation. Ealing is no different from other authorities in this respect. The cost pressures from the increased cost of demand-led services more than outweigh the inflationary increase in funding.

11.7. Appendix 2 provides a full schedule of pressures expected to be faced by the council's services in 2024/25 based on the experience of 2023/24. Forecasting pressures for future years is less accurate as many factors may change. However, based upon experience, pressures have been estimated for the remainder of the MTFS period. These are summarised in Table 13.

Table 13 – Budget pressures

Directorate Growth Pressures	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Adults Service & Public Health	11,551	(945)	0	0	10,606
Children's Service	20,619	4,081	3,608	3,667	31,975
Economy & Sustainability	150	0	0	0	150
Housing & Environment	5,091	0	0	0	5,091
Resources	385	0	0	0	385
Strategy & Change	0	0	0	0	0
Corporate	1,000	15,000	15,000	15,000	46,000
Total	**38,796**	**18,136**	**18,608**	**18,667**	**94,207**

Levies

11.8. Levies paid to other public bodies make up 8.2% of the council's net budget. Table 14 below sets out the details of the levies which, although outside of the council's direct control, need to be considered when setting the budget and council tax. Final figures are still awaited and any adverse changes will be met by a balancing adjustment on council-wide budgets held centrally.

11.9. The main change in levies is due to concessionary fares which increases by £3.2m. A reduction in the number of passenger journeys during the pandemic reduced the cost to the council of providing concessionary fares which were based on average passenger numbers. As passenger numbers return to pre-pandemic levels, the levy for concessionary fares will gradually increase.

Table 14: Provisional Levies Budget

Authority	2023/24 Budget	2024/25 Indicative Budget	Movement	
	£m	£m	£m	%
Concessionary Fares	10.220	13.436	3.216	31.47%
West London Waste Authority	13.734	14.149	0.415	3.00%
London Pension Fund Authority	0.411	0.423	0.012	3.00%
Coroners Service	0.441	0.455	0.013	3.00%
Lee Valley Regional Park Authority	0.306	0.315	0.009	3.00%
National Rivers Authority	0.288	0.297	0.009	3.00%
Total	**25.401**	**29.075**	**3.674**	**14.47%**

Capital Financing Costs

11.10. The council's capital financing costs are determined by borrowing decisions to fund capital expenditure in the past and future, and the investment of cash balances. The latter is determined by the council's Treasury Management Strategy, which is described more fully in Section 16 and set out in Appendix 9.

11.11. The council partly funds its capital programme through borrowing, for which it is charged interest. Delays in the capital programme have led to lower interest payments forecast in 2023/24 and 2024/25. As the capital programme progresses, interest on borrowing to fund this will increase in the remaining years of the MTFS. In addition to external interest payable on borrowing (or the opportunity cost of interest receivable where external borrowing is not taken and cash balances are used), local authorities are required by statute to set aside funds each year to repay borrowing. This is known as the minimum revenue provision (MRP).

11.12. Councils may use their revenue budget to fund capital expenditure directly and without the need to borrow (although they cannot use capital funds to support the revenue position). This is referred to as Direct Revenue Financing. Other sources of capital financing include government grants and third-party contributions (such as developer contributions) and capital receipts.

11.13. The council earns interest on its cash balances. For 2024/25, with interest rates at the highest levels for over a decade and with capital expenditure being lower with higher than expected cash balances, and the council is forecasting a significant increase in income from interest on its balances. However, with interest rates expected to gradually fall over the next five years, and cash balances being utilised to fund the capital programme, this level of interest will sharply decrease and therefore cannot be relied on as a continued source of funding in the medium-term and will be revisited as part of the next annual budget setting process.

Table 15: Capital Financing Costs and Treasury management

	2023/24 Budget	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
General Fund Net Interest Payable	23.847	23.020	25.287	27.700	30.010
Minimum Revenue Provision	21.526	21.872	22.939	23.283	23.994
Banking Charges & Commission	0.025	0.065	0.070	0.075	0.080
Direct Revenue Financing	5.237	5.000	0.000	0.000	0.000
Interest on Balances	(12.214)	(16.181)	(12.517)	(9.347)	(6.672)
Total	**38.421**	**33.776**	**35.779**	**41.710**	**47.411**

Contingency

11.14. As part of developing the budget proposals it would be prudent to allow for a contingency within the base revenue budget. This approach is designed to enable the risks associated with the uncertainty, unexpected events and process to be effectively managed.

11.15. Officers deem it prudent to continue to sustain an annual central contingency base budget of £2.000m, given the service pressures experienced in the current year and those identified for the coming year as set out in this report above, particularly given economic volatility, volatility of energy prices and significant demand pressures.. In addition, the increased funding from the New Homes Bonus, which will end after this year is also included on a one-off basis and this creates a contingency budget of £2.422m in 2024/25.

11.16. The contingency budget is included within Centrally Held Corporate Budgets.

Contributions to Reserves

11.17. The financial climate faced by local authorities is increasingly challenging, as seen by the number of councils either issuing Section 114 Notices, or warning that one may have to be issued in the next year. With predicted increases in demand and costs and given the significant uncertainty over the future local government funding regime, local authorities need to consider their financial resilience and ability to respond to external factors and events.

11.18. To maintain financial sustainability, it is best practice for councils to hold sufficient reserves and balances to be able to mitigate any financial shocks – either from an unexpected loss of funding or an increase in expenditure pressures. Therefore, in line with the previously agreed strategy, the base budget continues to include an annual contribution of £3.500m to build financial reserves. This provides protection against the financial uncertainty of local government funding, substantial losses in core income and in-year pressures and to ensure funds are available to invest in future transformation to respond to these pressures.

11.19. The council's level of reserves, although strengthened in recent years, compared to similar London Boroughs remains relatively low and is one of the factors that external auditors and Oflog will consider in assessing financial resilience.

Savings

11.20. As described above, the cost and demand pressures the council faces far outweigh the increase in funding from government grants and council tax. To balance the budget, the council must therefore look for reductions in expenditure or increased income. This can be achieved through changing how services are provided to create efficiencies and improved productivity and reduced costs, through strong operational management, including management of demand, changes to the thresholds or levels of service provided and maximising income.

11.21. Following over 10 years of real-terms funding reductions, the identification and delivery of significant savings plans is increasingly difficult without impacting on front-line services to residents. Implementing the council's vision to put power in the hands of residents, enabling community connection and networks and grassroots-led change by developing new operating models will enable medium to long-term transformation and change required to achieve financial sustainability in the context of real-term funding reductions and increase in demand.

11.22. All departments have reviewed the provision of services in line with the council's values and priorities. From this a series of cash savings can be made that balance the budget for 2024/25. In addition, the council is looking to transform how it delivers services that will reflect its commitment to moving to community provision of services where possible, and a number of the budget proposals include the council's first steps in moving towards a new vision and model of local government which will be developed over the medium-term to put the council on a stable and resilient financial footing in light of further expected real terms funding reductions.

11.23. All savings will have an element of risk on whether they will be achievable, either in part or in full. Appendix 2 shows a full breakdown of the proposed savings, along with their risk rating. Table 16 below summarises these savings by directorate.

Table 16 – Savings by Directorate

Directorate Savings Proposals	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Adults Service & Public Health	(6,525)	(1,525)	(45)	0	(8,095)
Children's Service	(8,418)	(8,209)	(4,550)	(1,247)	(22,424)
Economy & Sustainability	751	0	0	0	751
Housing & Environment	(701)	(954)	(261)	0	(1,916)
Resources	(381)	(100)	(38)	0	(519)
Strategy & Change	(250)	0	0	0	(250)
Corporate	(395)	0	0	0	(395)
Total	**(15.918)**	**(10,788)**	**(4,894)**	**(1,247)**	**(32.847)**

Summary of Revenue Budget

11.24. Directorate and service budgets have been set for 2024/25 and for the following three years (reviewed annually) considering inflation service pressures and planned savings. Table 17 below summarises the budgets at directorate level and how this is proposed to be funded. Appendix 1 provides budgets at service level.

Table 17 – Net budget by directorate 2024/25 to 2027/28

Directorate Revenue Summary	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Adults and Public Health	108,923	109,990	110,981	112,010
Children's Services	92,771	94,750	96,676	98,618
Economy & Sustainability	8,123	8,575	9,040	9,518
Housing & Environment	22,028	26,053	27,076	28,331
Resources	42,142	43,584	45,015	46,486
Strategy & Change	10,395	10,667	10,947	11,235
Net Service Department Budget	**284,382**	**293,619**	**299,735**	**306,198**
Total Centrally Held Budgets	23,354	40,615	62,423	85,544
Contribution to (+) / from (-) reserves	3,500	3,500	3,500	3,500
Net Budget Requirement	**311,236**	**337,734**	**365,658**	**395,242**
Revenue Support Grant	(21,798)	(21,798)	(21,798)	(21,798)
Retained Business Rates	(104,171)	(104,171)	(104,171)	(104,171)
Council Tax Income	(181,826)	(183,644)	(185,481)	(187,335)
Collection Fund	(3,441)	0	0	0
Total Funding	**(311,236)**	**(309,613)**	**(311,450)**	**(313,305)**
Budget Total	**0**	**28,120**	**54,208**	**81,937**

11.25. The budget for 2024/25 is balanced. The budget gap for 2025/26 is forecast based upon estimated pressures and does not include changes to funding or the impact of future transformation and savings. This will be revisited during

2024/25 and updated with the latest assumptions for inclusion in the 2025/26 budget and MTFS. Proposals to close this gap will need to be identified during 2024/25 as part of the 2025/26 budget setting process.

12. Parking Account

12.1. The budget also includes contributions from the Parking Account. All charges against the Parking Account are bound by the rules set out in section 95 of the Traffic Management Act 2004 which limits the areas on which a surplus can be spent to include:

- Off street car parks
- Highway maintenance and improvements
- Controlled parking zones
- Meeting the cost of public passenger transport services
- Environmental improvements.

12.2. The parking contribution to concessionary fares for 2024/25 is £13.436m. A breakdown of the parking account for 2024/25 is provided at Appendix 5.

13. Schools Budget and Dedicated Schools Grant (DSG)

13.1. As an education authority the council receives the DSG and other schools related grants, including:

- Dedicated Schools Grant (DSG)
- Pupil Premium Grant (PPG)
- Universal Infant Schools Meals (UIFSMd)
- Teachers Pay additional Grant (TPAG)

<u>Dedicated Schools Grant (DSG) allocation</u>

13.2. The DSG is a specific ring-fenced grant to support the schools' budgets, which is distributed through the National Funding Formula (NFF) based on the individual needs and characteristics of every school in the country. The DSG is currently split into the following four blocks:

(i) Schools Block (SB)
(ii) Early Years Block (EYB)
(iii) High Needs Block (HNB)
(iv) Central School Services Block (CSSB)

13.3. In December 2023, the government published the council's 2024/25 DSG allocation. The table below sets out the 2024/25 DSG indicative budget which has been consulted and agreed by the Schools Forum at the November 2023 meeting.

13.4. With the agreement of the Schools Forum, the council has retained elements of central funding and moved 0.5% from the SB to HNB in 2024/25 (a continuation of funding agreements made in previous years).

Table 18: DSG Allocation

DSG Blocks	2023/24 Revised £m	2024/25 £m	Variance £m	Status
Schools Block	291.294	308.684	17.391	Confirmed
Academy Recoupment	(84.955)	(91.544)	(6.591)	Provisional
ESFA payments of business rates deduction	(4.007)	(4.695)	(0.687)	Confirmed
Subtotal: Schools Block	**202.332**	**212.445**	**10.113**	
High Needs Block	77.371	79.250	1.879	Provisional
Central Schools Service Block	2.498	2.475	(0.023)	Confirmed
Early Years Block	28.681	41.243	12.562	Provisional
Total Allocation	**310.882**	**335.412**	**24.530**	

13.5. Below is a summary of the school funding with further detail included in the School Funding 2024/25 report considered at the 18 January 2024 Schools Forum meeting.

Schools Block (SB)

13.6. In respect of the Schools Block, the Schools Forum agreed:

- 2024/25 Minimum Funding Guarantee (MFG) has been set at 0.0%
- Continuation of funding transfer of £1.543m (0.5%) of SB to the HNB
- Growth fund rules and uplifts to rates to reflect the increased age weighted pupil funding rates that will be used in the 2024/25 funding formula.

13.7. The Schools Forum have been consulted upon the proposed Local Formula and the adjustments required to the NFF factor rates for affordability. These are set out in Appendix 2 of the 18 January 2024 Schools Forum report. This requires approval of this Cabinet.

Early Years Block (EYB)

13.8. Early years funding to local authorities is distributed through a National Early Years Funding Formula (EYFF) comprising:

- 3 & 4-year-old entitlement 15 hours
- 3 & 4-year-old entitlement additional 15 hours
- Maintained nursery school supplement lump sum.
- Disadvantaged two-year olds.
- Early Years Pupil Premium

13.9. In addition, in March 2023 the Chancellor announced the expansion of the free early education entitlements offer to further support working parents to return to work. A phased roll-out is to take place:

- From April 2024, all working parents of 2-year-olds that meet the eligibility criteria can apply to access 15 hours free childcare per week.

- From September 2024, all working parents of children aged 9 months that meet the eligibility criteria can apply to access 15 hours free childcare per week.
- From September 2025 all working parents of children aged 9 months up to school statutory age, that meet the eligibility criteria, will be able to access 30 hours free childcare per week.

13.10. This extension has significantly increased the funding through the Early Years Block.

13.11. The proposed funding arrangements for 2024/25 have changed following the expansion of provision to children below the age of 3 years. The requirements are set out below:

- Authorities are required to allocate 95% of funding to providers (since 2018/19 and extended to the new entitlements that are due to be introduced in the new financial year)
- Authorities must set up Inclusion Funds, to support children with additional needs.
- The formula requires a single base rate for all providers regardless of sector.
- The formula may have a fixed number of supplements in addition to the required deprivation factor, although there is a cap on supplements of 10% of the total allocated to providers.
- Maintained nursery schools are protected under the national proposals with supplementary funding for maintained nursery schools allocated outside of the main early years formula allocation.
- Authorities to have a disadvantaged 2 year old rate that is at least equal to the rate for 2 year old children of working parents (only one entitlement can be accessed at any given time)
- All-children's part of all early years entitlements have access to Special Educational Needs Inclusion Funds (SENIFs) for children with emerging Special Educational Needs (SEN)
- Authorities to determine use of supplement funding for new entitlements.
- Extending eligibility for Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) in 2024 to 2025 to eligible children aged 2 years old and increases to the value of both funding streams.

13.12. Table 19, below, outlines the proposed allocation of Ealing's Early Years Block 2024/25. The final grant value will be determined based on pupil numbers at the January 2024 and 2025 censuses. Therefore, budgets and funding formula rates may be adjusted accordingly to comply with the 95% pass through and to manage the affordability of the formula.

Table 19: Provisional Early Years Block in 2024/25

Provisional Early Years Block in 2024/25	£m
Central spend 5% allowance	1.98
Early Years Inclusion Fund	2.46
All Entitlements (3-4yr, 2yr, U2yr)	34.19
Contingency	1.10
Early Years Pupil Premium/Disability Access Funding/Maintained Nursery School Supplement	1.51
Total	**41.24**

13.13. The council recognises the current difficult climate that many of our early years providers have faced. We recognise the importance of continuing to offer stable funding rates and continue with high levels of inclusion support at a time that has been most testing, ensuring a fair and equitable offer, which meets the needs of Ealing children. The following funding rates for 2024/25 are proposed:

Table 20: Proposed funding formula for 2024/25

	3-4 Year old (Universal & Extended) Offer	Working Parent 2 Year old Offer	Disadvantage 2 Year old Offer	Working Parent Under 2 Year old Offer
Proposed Base Rate 24/25	5.27	8.24	8.24	11.92
Current Base Rate 23/24	4.73	New	6.92	New
Supplements Proposal 24/25				
Deprivation	0.29	0	0.91	0
Quality	0.29	0	0	0

High Needs Block (HNB)

13.14. The HNB is a single block for local authorities' high needs pupils/ students aged 0-24. This block includes hospital education. This is allocated to local authorities on a national formula which is not driven by pupil numbers.

13.15. The council is currently faced with a projected pressure which is being mitigated through one-off management actions including the continued 0.5% transfer from the SB in 2024/25. The DfE has consulted widely on requiring overspends on the HNB to be treated as a deficit on the DSG. Where this amounts to more than 1% of the DSG, councils will need to prepare a deficit recovery plan. Officers are undertaking further work in this area and will report to the next Schools Forum meeting in April 2024.

Central School Services Block

13.16. From 2018/19 all centrally retained budgets for primary and high schools were included in a separate block and now include the former Education Services Grant for retained services in respect of all schools and academies in the borough.

Other Funding

13.17. Below is a list of other grants the schools and the council receive in addition to the DSG, which include:

a) **Pupil Premium Grant (PPG)** provides funding for 2 policies**:**

- raising the attainment of disadvantaged pupils of all abilities to reach their potential.
- supporting children and young people with parents in the regular armed forces

It is allocated for all pupils who have been eligible or are eligible for free school meals during the last six years, looked after children and service pupils. Pupil Premium rates have increased by 1.6% this year.

b) **Universal Infant School Meals (UIFSM)**

Schools will also receive funding for UIFSM for eligible children in year reception, year 1 and year 2 on the schools roll on October 2024 and January 2025 census days.

c) **Mainstream School Additional Grant**

In 2022/23 and 2023/24 mainstream schools also received additional grant allocations following the government's Autumn Statement: the School Supplementary Grant in 2022/23 and the Mainstream Schools Additional Grant in 2023/24. These grants have been rolled into the main school's formula funding for 2024/25 and there was no further funding announced for schools in the 2023 Autumn Statement.

d) **Teacher Pay Additional Grant and Teacher Pension Grant**

Schools will receive additional grant allocations in 2024/25 to support with funding the 2023/24 teacher pay award and the increase to employer contribution rates to the teacher pension scheme from April 2024.

DSG Account

13.18. From 1 April 2021, local authorities have been required to hold DSG balances (under and overspends) in a ring-fenced DSG account.

13.19. At the end of 2022/23 the council held a net surplus balance of (£1.345m) on its DSG account which includes a HNB deficit of £0.570m. At the end of Quarter 3 of 2023/24, the council is forecasting a net deficit of £1.952m for the year as detailed in the Quarterly Budget monitoring report being presented at the February 2024 Cabinet meeting.

13.20. The council along with many other authorities continues to experience pressures on the HNB flowing from the increase in children with Education, Health and Care Plans (EHCPs) and due to the level of need within that cohort. The DSG High Needs Deficit Recovery Plan continues to be refined, and the council is continuing to work with London Councils in participating in surveys on the increased demand being experienced in order to lobby for additional funding.

13.21. The council continues to manage and recover the High Needs Deficit in a prudent way, despite the ESFA providing local authorities with much higher deficits with additional funds to write off their deficits.

14. Housing Revenue Account (HRA)

14.1. The Housing Revenue Account (HRA) 2024/25 Budget and 30 Year Business Plan are to be approved by Cabinet on 7 February 2024.

14.2. The table below summarises the 2024/25 Proposed HRA revenue budget.

Table 21: 2024/25 HRA Revenue Budget

HRA Revenue Budget	2023/24 £m	2024/25 £m
Total Income	(78.085)	(87.153)
Total Expenditure	79.942	88.481
HRA Net (Surplus)/Deficit Before Contribution to Balances	**1.857**	**1.328**
Contribution to/(from) HRA Balances	(1.857)	(1.328)
HRA Net (Surplus)/Deficit	**0.000**	**0.000**

14.3. The HRA 5-year Capital Programme is included in section 15 below.

15. Capital Budget

Capital Strategy

15.1. The Local Government Act 2003 and supporting regulations require the council to have regard to the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Prudential Code to ensure that the council’s capital investment plans are affordable, prudent and sustainable.

15.2. The Prudential Code requires that the council produce an annual Capital Strategy which provides a long-term context in which capital decisions are made and the approach for governance for those decisions.

15.3. The council’s Capital Strategy is the framework for the allocation and management of capital resources within the council, which take account of the council’s key priorities in the Council Plan. It forms a key part of the council’s integrated revenue, capital, and balance sheet planning with a view towards deliverability, affordability, and risk.

15.4. Both the Treasury Management Strategy and Capital Strategy are required to comply with the Prudential Code. Whilst the Capital Strategy sets out the framework in which investments should be taken, the Treasury Management Strategy sets the council’s financing requirements.

15.5. The council's existing strategy has been reviewed to ensure compliance with the latest Prudential Code. Appendix 8 sets out the 2024/25 Capital Strategy which is recommended for approval by Full Council.

Capital Programme – expenditure.

15.6. The current approved capital programme budget for 2023/24 to 2028/29 is £1,330.477m.

Additions to the Capital Programme

15.7. As part of the 2024/25 budget process new General Fund capital proposals have been identified, taking into consideration the council's priorities. These additions are valued at £151.601m of which £150.100m will be funded from borrowing. The revenue costs of borrowing have been built into MTFS budget forecasts. The proposals have been assessed against the legislative requirements set out in the Treasury Management and Capital Strategy to ensure that the council can afford to support the ongoing revenue costs.

15.8. The additions to the General Fund programme are detailed in Appendix 6, as are the capital schemes to be decommissioned, totalling £1.962m and the requested budget re-profiling.

15.9. Appendix 7 reflects the updated capital programme, including the revised HRA capital investments that are being considered by Cabinet in a report elsewhere on this agenda ('*Housing Revenue Account (HRA) Business Plan 2024-25'*).

15.10. As part of the 2024/25 budget process there is a recognition that in principle agreement for some of the additions requires the service leads to undertake a detailed business case and option appraisal. To ensure that the capital investment is spent in line with the capital spending legislative framework (as set out in the Capital Strategy), Cabinet and Full Council are asked to approve the incorporation of the additions into the capital programme and provide delegation to the Strategic Director, Resources to release budget (thereby giving authority to spend) upon approval of a detailed business case and option appraisal.

Updated Capital Programme

15.11. The Capital Programme is summarised in the table below with details in Appendices 6 and 7. The updated programme reflects:

- HRA 5-year capital programme that is requesting Cabinet approval in a report elsewhere on this agenda ('*Housing Revenue Account (HRA) Business Plan 2024-25'*)
- Changes in spending profiles between years
- General Fund additions and schemes to be decommissioned set out in Appendix 6, that are being recommended for approval.

15.12. Cabinet and Full Council are asked to approve the Capital Programme commencing from 1 April 2024 and note that the council's Financial Regulations specify that inclusion of a scheme in the Capital Programme does not indicate automatic approval to proceed, and schemes are still subject to submission of a detailed report to Cabinet seeking formal approval and the release of funding.

Table 22: Capital Programme 2023/24 to 2028/29

Capital Programme Summary	2023/24 £m	Capital Programme 2024/25 - 2028/29 £m					Total £m
		2024/25	2025/26	2026/27	2027/28	2028/29	
Adults Services & Public Health	0.231	0.930	0.020	0.000	0.000	0.000	1.181
Children's & Schools	16.855	80.087	0.000	0.000	0.000	0.000	96.942
Economy & Sustainability	44.232	59.271	8.686	5.994	0.000	0.000	118.183
Housing & Environment	32.052	27.519	7.498	0.170	0.000	0.000	67.239
Resources	14.554	253.453	30.776	28.961	29.667	93.582	450.993
Strategy & Change	0.000	0.550	0.000	0.000	0.000	0.000	0.550
Corporate	0.230	3.257	0.000	0.000	0.000	0.000	3.487
Total General Fund	108.155	425.067	46.980	35.125	29.667	93.582	738.576
HRA	122.924	137.100	139.234	79.891	62.168	50.585	591.901
Approved Capital Programme[1]	**231.079**	**562.166**	**186.214**	**115.016**	**91.835**	**144.167**	**1,330.477**
Additions	0.000	72.255	75.140	0.563	0.643	0.000	151.601
Decommissioning	(0.212)	(1.750)	0.000	0.000	0.000	0.000	(1.962)
Re-profiling	(4.000)	(217.989)	3.568	(4.571)	(14.667)	237.659	0.000
Revised Capital Programme Total	**226.867**	**417.683**	**264.922**	**111.008**	**77.811**	**381.826**	**1,480.117**
Mainstream Funding	67.470	242.765	239.902	63.651	61.658	366.426	1,041.872
Capital Receipts	21.654	40.342	4.944	26.707	0.299	0.000	93.946
Grants	107.651	89.668	3.533	4.430	0.000	0.000	205.281
S106	5.714	6.699	0.000	0.000	0.000	0.000	12.414
Partnership Contributions	4.308	21.182	0.500	0.500	0.500	0.500	27.490
Revenue Reserves	4.616	1.298	1.040	0.733	0.643	0.000	8.330
Revenue Contribution	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Major Repairs Reserve	15.454	15.728	15.003	14.987	14.711	14.899	90.783
HRA Contribution	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Programme Funding	**226.867**	**417.683**	**264.922**	**111.008**	**77.811**	**381.826**	**1,480.117**

16. Treasury Management

16.1. The Local Government Act 2003 and supporting regulations require the council to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and Treasury Management Code of Practice. The CIPFA Codes require the council to set prudential and treasury indicators for a minimum of three years to demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

16.2. In pursuit of the above the council must produce as a minimum three key treasury reports (the requirement within the CIPFA Prudential Code to produce a Capital Strategy is completed under a separate report at LB Ealing):

- Treasury Strategy, prudential and treasury indicators, a requirement fulfilled by the production of this report (Appendix 9). The report covers:
  - Capital plans including prudential indicators.
  - Minimum revenue provision (MRP) policy
  - The treasury management and investment strategy
- A mid-year report which updates members on treasury progress, the capital position, the prudential indicators and whether any strategies or policies require revision.
- An annual treasury outturn report

16.3. The council's existing Treasury Management Strategy has been reviewed to ensure compliance with the latest Prudential and Treasury Management Code of Practice. Appendix 9 sets out the Treasury Management Strategy and Prudential Indicators for 2024/25 which are recommended for approval.

Changes to the Treasury Management Code

16.4. CIPFA published an updated Treasury Management Code of Practice and Prudential Code in December 2021 requiring implementation from 2023/24. The main changes from the Treasury Management Code were as follows:

- Updates to the council's Treasury Management Practices (TMPs) reflecting the changes from the Treasury Management Code of Practice (e.g., incorporating ESG in to TMP1 and development of a knowledge and skills framework TMP10)
- Development of Investment Management Practices (IMPs) and other recommendations relating to non-treasury investments, produced on the same basis as the council's Treasury Management Practices (TMPs)
- Introduction of the Liability Benchmark as a treasury management indicator for local government bodies
- Incorporation of Environmental, Social and Governance risks
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy, with CIPFA providing a definition of investment which differentiates between treasury, service and commercial investments to be applied across both Codes.

16.5. These changes were already reflected within the council's strategy in 2023/24, which introduced the Liability Benchmark. The Liability Benchmark compares the maturity profile of the current external borrowing portfolio with three different metrics, with the benchmark illustrating the level of external borrowing required on a net book basis, assuming sufficient liquidity is retained for treasury management purposes. Where actual external borrowing is less than the benchmark, this indicates a future external borrowing requirement to ensure the liquidity allowance is maintained. Where external borrowing exceeds the benchmark, this represents a relative overborrowed position, which will result in excess cash over and above the level of the liquidity allowance incorporated into the council's workings requiring investment.

17. Statutory Declarations on Robustness of Budget Estimates and Adequacy of Reserves

17.1. Section 25 of Local Government Act 2003 requires that the Chief Financial Officer (Section 151) in Ealing's case, the Strategic Director, Resources report to the authority on two areas:

- The adequacy of the proposed reserve
- The robustness of the estimates.

17.2. It also states that the authority must have regard to this report when council tax is set.

17.3. The Strategic Director Resources therefore advises that, in relation to the financial year 2024/25, the proposed budget is robust and the level of reserves and balances in the draft budget is adequate.

17.4. The 2024/25 budget setting process is designed to produce robust medium-term revenue budget estimates which have been subject to considerable examination by the council's members and officers. As a result:

- The budget and service planning cycles are in line, so that resources are aligned with service objectives through the budget setting process.
- The revenue impact of decisions concerning capital spending is considered and incorporated in the budget proposals.
- Risks are fully considered and appropriately budgeted for
- The budget includes a proposed contribution to general reserves to build financial reliance recognising the comparatively low level of reserve balances and considering the current financial outlook and funding uncertainty.
- The Ealing Business Partnership receives and comments upon the budget report before the council meets to set the budget
- The Cabinet receives and comments upon the budget report before Full Council meets to set the budget.
- The council's scrutiny function has had the opportunity to consider and comment upon the budget proposals.

Adequacy of Reserves and Balances

17.5. Under the 2003 Local Government Act, the Section 151 Officer, the council's statutory finance officer - the Strategic Director, Resources, must be satisfied that the level of the General Fund balance is adequate. This un-earmarked reserve sum held centrally for unavoidable cost increases above expected inflation levels, other unforeseen items and spending pressures, acts as a financial safety net.

17.6. There is no statutory definition of a minimum level of reserves, and it is for this reason that the matter falls to the judgement of the Section 151 Officer. In coming to a judgement on this matter the Section 151 Officer has considered matters:

- Risks inherent in the budget strategy.
- Risk management policies and strategies
- Past financial performance against budget
- Current budget projections
- The robustness of estimates contained within the budget.
- The adequacy of financial controls and budget monitoring procedures
- Spending pressures
- Increases in Social Care Precept and council tax.
- Impact of cost of living, energy prices and inflation and other market pressures
- Impact of the economic downturn on council tax and business rates

17.7. The council's General Fund balance is at its target risk-assessed level of between £15.000m to £20.000m and whilst there is a planned contribution in the base budget to increase general reserves there is no further contribution planned for increasing the General Fund balance for 2024/25. £17.732m is 5.77% of the total net budget for 2023/24 of £283.181m (before reserves). The Strategic Director, Resources considers that a balance of £17.732m at 31 March 2024 is adequate as the minimum sum given the risks the council is facing and considering Ealing's spending history and level of other earmarked reserves. The adequacy of reserves will continue to be reviewed annually.

17.8. The recommendation of the Strategic Director, Resources on balances is therefore that the MTFS should ensure that the General Fund balance is between £15.000m to £20.000m, which is the estimated balance as at 31 March 2024. No budgeted contribution to top-up the General Fund balance is being proposed as part of the 2024/25 budget process.

17.9. The Strategic Director, Resources advises members that the level of reserves had previously significantly reduced year on year and as a result no longer provides the level of flexibility in managing budgets that was previously available. For this reason, the base budget continues to include an annual contribution of £3.500m to build financial reserves to provide protection against financial uncertainty of local government funding, substantial losses in core income and in-year pressures. It is still essential that the council's spending is contained within budget in all areas of the council and officers and members must take robust steps to ensure that this discipline is maintained.

17.10. The opportunity cost of holding the recommended General Fund balance of £17.732m in 2024/25 in terms of investing in services or limiting the council tax rise is offset by the flexibility that it allows to deal with risk and adverse expenditure variations.

17.11. The opportunity has also been taken to review all significant earmarked reserves monies set aside for a specific purpose. Earmarked reserves reduce over the medium term as the sums built up in these are deployed, as shown in Appendix 10.

17.12. The council has forecasted to transfer funds to and from earmarked reserves over the medium-term, this is also reflected in Appendix 10.

Table 23: Forecast of Reserves over the MTFS Period 2023/24 to 2027/28

	31/03/2023	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028
	£m	£m	£m	£m	£m	£m
Risk Reserves	16.810	16.856	16.856	16.856	16.856	16.856
Mandatory reserves	13.965	8.336	7.632	7.632	7.632	7.632
Committed reserves	41.680	38.195	35.704	32.300	29.889	27.300
Discretionary reserves	22.400	25.371	28.871	32.371	35.871	35.871
Total Earmarked reserves	**94.855**	**88.758**	**89.063**	**89.159**	**90.248**	**87.659**
General Fund Balance	17.732	17.732	17.732	17.732	17.732	17.732
General Fund Reserves & Balances	**112.587**	**106.490**	**106.795**	**106.891**	**107.980**	**105.391**
Housing Revenue Account	16.866	9.034	9.034	9.034	9.034	9.034
Schools Balances	17.158	17.158	17.158	17.158	17.158	17.158
Total Reserves & Balances	**146.611**	**132.682**	**132.987**	**133.083**	**134.172**	**131.583**

17.13. The forecast of the reserve movements summarised in the table above and in more detail in Appendix 10, reflect funds set aside for capital schemes, agreed invest to save proposals, earmarked grants, technical and statutory adjustments relating to the Collection Fund and insurance. The use of reserves is regularly reviewed throughout the year and may result in further drawdowns over and above of what is shown in Table 23.

17.14. If an unplanned opportunity or challenge arises during any financial year that requires funding or investment outside of existing budgeted or planned drawdown of reserves, then reserves such as the Economic Volatility or Invest to Save reserves are accessed. This is not reflected in the forecast above.

Financial Management (FM) Code

17.15. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. It is for an individual council to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Compliance to the code is seen as a collective responsibility of the organisational leadership.

17.16. It should be noted that although there is no legal requirement for the council to comply with the code, compliance will be a key requirement which will be assessed by the council's external auditors as part of the Value for Money audit.

17.17. An update of progress and compliance against the code is provided regularly to the Audit Committee.

18. Legal

18.1. The council has a legal duty to set a balanced budget.

18.2. Some savings proposals will have more detailed legal or practical implications. Where this is the case, these detailed implications will need to be considered before a final decision is taken on whether to implement the proposals or to implement them in a revised format.

In regard to the Council's employment law duties

18.3. Directors, including the Strategic Directors and the Chief Executive, have the delegated authority to delete vacant posts and create new posts within their service, within budgetary constraints. Strategic Directors have the delegated authority (following, in relation to proposals to delete filled posts, consultation with the relevant cabinet Portfolio Holder and with the Chief Executive) to approve reorganisations and restructuring of their own departments, which may or may not lead to redundancies. Therefore, Cabinet is not required to approve as part of this report any of the staffing change proposals that will be required to deliver the budget proposals. Strategic Directors must, when taking any decisions on staffing change proposals, follow the law and principles set out in this section.

18.4. Under s188 of the Trade Union and Labour Relations Act 1992, the council has a legal obligation to consult if there are proposals to dismiss 20 or more employees (within 90 days of each other).

18.5. Employees have the right not to be unfairly dismissed. The council's policies and practices reflect this right. Contractual arrangements for matching and redeployment will be applied to minimise the need for compulsory redundancies.

18.6. The council has a legal obligation to make redundancy payments to any employees with more than 2 years' service who are dismissed by reason of redundancy. This arises from the Employment Rights Act 1996 and contracts of employment.

18.7. Employees whose posts are deleted are contractually entitled to pay protection in certain circumstances.

In relation to Discretionary Relief to payers of the National Non-Domestic Rates (NNDR)

18.8. Section 69 of The Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to allow authorities to grant discretionary relief to business rates. Under this provision authorities can create their own discount schemes for example to promote growth and jobs in its area, or in specified areas. The relief is to be awarded daily. Any such scheme needs to be approved by the Cabinet.

18.9. By virtue of section 47(5C) of the Local Government Finance Act 1988 when deciding to fix criteria for relief, the council must have regard to any relevant guidance issued by the Secretary of State.

1. Under Section 47 Local Government Finance Act 1988, a decision to set criteria for discretionary relief is not limited to charitable or non-profit making organisations. However, where, as with this proposal, the criteria would allow relief to be granted to businesses which are other than charitable, or non-profit making, the council may make the decision only if it is satisfied that it would be reasonable for it to do so, having regard to the interests of persons liable to pay council tax set by the council.
2. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 contain provisions in relation to the notices which the council must give when making decision and determinations under Section 47 of the Local Government Finance Act 1988.

In relation to Council Tax Empty Homes Premium

18.10. Since April 2013 Local Authorities in England have been given delegated powers under Section 11B of the Local Government Finance Act 1992 to increase Council Tax on a local level. These powers have changed over the years but currently allow the council to increase Council Tax by adding up to 400% to the council tax charge on some long-term empty properties.

In relation to Council Tax Reduction Scheme

18.11. Section 13A of the Local Government Finance Act 1992 (c. 14), ("the 1992 Act"), substituted by Section 10 of the Local Government Finance Act 2012 (c.17), ("the 2012 Act"), requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes or persons, whom the authority considers are in financial need.

18.12. Paragraph 2 of Schedule 1A to the 1992 Act, as amended by Schedule 4 of the 2012 Act 2012, sets out matters that must be included in a scheme and gives the Secretary of State power to prescribe by regulations additional requirements, including classes of persons, which must or must not be included in a scheme.

In regard to Schools Funding and Dedicated Schools Grant (DSG)

18.13. The council currently receives funding for schools through the Dedicated Schools Grant (DSG) and has the statutory responsibility under the Schools and Early Years Finance Regulations for allocating this funding to schools.

18.14. The Schools Forum Regulations 2012, SI 2012/2261, School and Early Years Finance (England) Regulations 2018, SI 2018/10 and the School and Early Years Finance (England) Regulations 2015, SI 2015/2033 set out the matters on which the council must consult the Schools Forum or seek the approval of the Schools Forum or the approval of the Secretary of State.

19. Value for Money

19.1. 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.

19.2. The budget proposals include examples of delivering value for money such as:

- General efficiencies within services and departments
- Review of charges, maximising income opportunities, but considering the legal restrictions upon the council's ability to charge for its services.

19.3. Where possible, savings proposals have been made that impact minimally on service delivery, despite the challenges presented by the budget pressures outlined above.

19.4. The council consistently monitors performance and finance in tandem, to ensure that value for money services are commissioned and provided for, as well as 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.

20. Sustainability Impact Appraisal

20.1. Any sustainability impacts will be considered before final decisions are taken on whether to implement each proposal. All capital budget proposals are required to set out how the proposal contributes towards carbon emission reduction.

21. Risk Management

21.1. 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 2024/25 and beyond as set out in the annual review of the MTFS in this report.

21.2. The current Local Government Finance Settlement only provides certainty for 2024/25, 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.

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

21.4. Given the uncertainties of the economic environment, impact of rising demand and market pressures 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 Strategic Risk Register
- regularly reported to Audit Committee
- reviewed through updated finance reports to Strategic Leadership Team and Cabinet.

21.5. 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 officers on a monthly basis and reported to the Strategic Leadership Team and Cabinet on a quarterly basis.

21.6. As explained in the report, the most immediate risks to the budget process are:

- unfunded income loss pressures as a result of the economic environment and the cost of living crisis particularly in relation to council tax and business rates income – the council will continue to closely monitor the impact of these income streams.
- non-delivery of the approved savings
- social care and homelessness placement pressures (demand and market), which continue to be partly mitigated by spend controls, cost reduction programmes and close monitoring by the Strategic Leadership Team and by the Leader, Cabinet Member for Inclusive Economy and relevant portfolio holders.

21.7. The council is faced with an uncertain financial climate over the medium to long-term which presents a high risk 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 Strategic Director, Resources, as the council's Section 151 Officer, is required to state whether the reserves are adequate as part of the annual budget setting process.

21.8. 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 the Strategic Leadership Team and the portfolio holder and updates on the financial environment the council is operating in are provided in finance reports to Cabinet. Any sustainability impacts will be considered before final decisions are taken on whether to implement each proposal.

22. Community Safety

22.1. Not applicable.

23. Links to Key Priorities for the Borough

23.1. The council's MTFS, budgets, capital programme and capital strategy are designed to deliver the council's strategic priorities of fighting inequality, fighting the climate crisis and creating good jobs. The budget set for 2024/25 will address the delivery of national and local priorities.

24. Equalities, Human Rights and Community Cohesion

24.1. Budget proposals have been developed and impacts considered in line with the principles set out under S149 Equality Act 2010 and Human Rights Act 1988, including the need to protect elderly, disabled, children and young people who are the most vulnerable residents of the borough.

24.2. Implementation of each of the proposals will follow the council's processes, policies and local terms and conditions to ensure fair selection, assimilation, and recruitment and to ensure on-going monitoring of diversity.

24.3. Where proposals will have equalities implications an Equalities Analysis Assessment (EAA) is required. EAAs are tools that help the council make sure its policies, and the ways it carries out its functions, do what they are intended to do and for everybody. If an EAA is required, it will be prepared and considered prior to the final decision on whether to proceed with the proposal being taken.

24.4. A full Equalities Analysis Assessment has been carried out in relation to the equalities impacts of the council tax increase recommendations in paragraphs 1.9 and 1.21(4). This is attached as Appendix 11.

24.5. 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, including those relating to equalities as referred to above. 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.

25. Staffing / Workforce and Accommodation Implications

25.1. Not applicable and will be considered as detailed proposals are developed.

26. Property and Assets

26.1. The capital investment proposals set out in this report for approval in principle reflect the need to make efficient use of the council's property and assets at an affordable cost to support the delivery of council priorities.

27. Consultation

27.1. Consultation may be required in relation to some savings proposals. Where this is the case, the consultation will be undertaken in accordance with legal requirements and within a timetable appropriate to the individual circumstances of the proposal in question, including with recognised trade unions and affected individuals. The outcomes from each consultation undertaken will be considered before a final decision is taken on whether to proceed with the proposal in question, either as presently proposed or in an amended form.

28. Budget Consultation and Scrutiny Process

28.1. The council's budget framework sets out the need for the Overview and Scrutiny Committee to be consulted in the budget process. Furthermore, the council is required to undertake statutory budget consultation with Business Rates payers in the borough.

28.2. On 1 February 2024 a meeting with the Ealing Business Partnership will look to consult with the local business rate payers, following which any feedback will be either circulated to Cabinet as an addendum to the report or a verbal update provided at the Cabinet meeting by the Portfolio Holder.

28.3. A meeting with the Overview and Scrutiny Committee (OSC) will be held a day before Cabinet on 6 February 2024. Feedback from this meeting will be submitted either in writing by the OSC Chair and/or Vice-Chair or provided verbally to Cabinet.

29. Timetable for Implementation

29.1. The budget timetable is set out above.

Table24: Timetable of Pending Key Budget Activities

Date	Key Activities
1 February 2024 6 February 2024	• Consultation with Ealing Business Partnership • Budget proposals to Cabinet and Overview & Scrutiny Committee • Cabinet considers final budget proposals and makes recommendations to Full Council
5 March 2024	• Council approves Budget & Council Tax for 2024/25

30. Appendices

Appendix	Appendix Title
1	Summary Revenue Budget 2024/25
2	New Savings and Pressures - 2024/25 to 2027/28
3	2024/25 Fees and Charges Schedule
4	Council Tax Reduction Scheme
5	2024/25 Parking Account
6	New Capital Schemes, Schemes to be Decommissioned & Re -profiling
7	Summary of Capital Programme 2023/24 to 2028/29
8	2024/25 Capital Strategy
9	Treasury Management Strategy Statement, MRP Statement and Annual Investment Statement
10	Reserves Forecast and Analysis over the MTFS Period
11	Equality Analysis Assessment – Council Tax Increase

31. Background Information

Report Name	**Date**
Council Reports	
Treasury Management Mid-Year Update 2023/24	19 December 2023
Cabinet Reports	
Housing Revenue Account (HRA) Business Plan 2024/25	7 February 2024
Revised Council Tax Reduction scheme for 2023/24	7 December 2022
Schools Forum Report	18 January 2024
Officer Decision Reports	
Collection Fund Estimated Deficit as at 31 March 2024	17 January 2024
2024/25 Council Tax Base	11 January 2024

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Emily Hill	Strategic Director, Resources	Continuous	Continuous	Throughout
Tony Clements	Chief Executive	Continuous	Continuous	Throughout
Amanda Askham Nicky Fiedler Peter George Robert South Kerry Stevens	Strategic Directors	Continuous	Continuous	Throughout
Helen Harris	Director of Legal and Democratic Services			
Councillor Steve Donnelly	Cabinet Member for Inclusive Economy	Continuous	Continuous	Throughout
Councillor Peter Mason	Leader of the Council	Continuous	Continuous	Throughout
Emma Horner	Assistant Director of Technical Finance	Continuous	Continuous	Section 9, Section 16, Appendix 9
Bridget Uku	Finance Manager – Pensions and Treasury	Continuous	Continuous	Section 16, Appendix 9
Russell Dyer	Assistant Director of Accountancy	Continuous	Continuous	Recommendation: 1.8,15, 16,17,18 & 1.21 (1e & 1f); Sections 11-15; Appendices 2,3,5,6 & 7
Nick Rowe	Assistant Director of Local Tax & Accounts Receivable	Continuous	Continuous	Sections 8 - 10
Joanna Pavlides	Assistant Director of Financial Assessments	Continuous	Continuous	Section .8
Tamara Quinn	Assistant Director Schools, Planning & Resource	Continuous	Continuous	Section 13

Report History

Decision Type: For Decision		**Urgency Item?** No	
Authorised by Cabinet Member:	Date:	Report Deadline:	Date Report Sent:

Report no:	**Report authors and contact queries:** Kevin Kilburn, Interim Assistant Director Strategic Finance Baljinder Sangha, Finance Manager, 020 8825 5579 Katherine Ball, Finance Manager, 020 8825 5757