



Report for: **DECISION**

**Item Number:**

Contains Confidential or Exempt Information	<b>No</b>
<b>Title</b>	<b>BUDGET STRATEGY AND MTFS 2023/24 TO 2026/27</b>
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<b>For Consideration By</b>	Cabinet
<b>Date to be considered</b>	22 February 2023
<b>Implementation Date if Not Called In</b>	8 March 2023
<b>Affected Wards</b>	All
<b>Area Committees</b>	All
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### **Purpose of Report**

In times of unprecedented political turmoil and economic uncertainty, the Council has acted decisively to invest in the delivery of key services to residents in the year ahead whilst ensuring a balanced budget and a more secure financial footing for future years.

The Council's operating environment is highly uncertain. The financial challenges sit against the context of significant inflation, the cost of living crisis, the global energy crisis and rising utilities costs, increasing demand for services and complexity of demand, the continued impact of COVID-19, and a lack of clarity of future Government funding reforms and plans. Although the financial backdrop for setting a balanced budget has been challenging, the Council has continued to ensure that both existing service challenges are appropriately funded and where new demand is forecast, proportionate growth is allocated to meet that expected demand whilst meeting Council priorities for investment.

This report sets a balanced budget for 2023/24, it brings forward new savings and income proposals and sets out the proposals to invest in Council services. Savings continue to be delivered although this is increasingly difficult after over a decade of austerity. The Council has also looked to utilise local taxation powers within the Government's Core Spending Power which assumes councils will increase both Council Tax and the Social Care Precept by 2.99% and 2% respectively and to use additional funding made available as part of the final Local Government finance settlement to balance its budget for 2023/24. The predicated utilisation of the local taxation powers will yield the Council a recurring Council Tax income of £8m.

In total, this report sets out direct revenue investment plans of over £46.368m for 2023/24 with £3.5m being set aside to instil additional resilience in face of a continuing uncertain financial climate; putting prudent and proportionate new funding into services to meet the significant increase in inflation and demand led pressures and continued capital investment. It also sets out how the Council continues to act prudently in highly uncertain times, with amounts retained to address and unforeseen pressures or events that may arise, compounded by another single year Government funding allocation.

The report also sets out key issues faced by the Council when planning a balanced budget for beyond 2023/24 including the impact of the cost of living, inflation and energy crisis, and the continued impact of the pandemic on our communities and demand for services. The uncertain operating and financial challenges faced by the Council against the context of prolonged underfunding of both children's and adult social care and unknown impact of potential future Government funding reforms cause an acute challenge to the Council's financial planning decision process.

The report seeks Cabinet approval of the specific revenue budget proposals and the capital programme for recommendation to Full Council at the statutory budget setting meeting on 8 March. The report presents new savings proposals for approval. It presents the refreshed Medium-Term Financial Strategy for approval and provides an update on the economic climate, funding position following the 2023/24 final Local Government finance settlement and provides an update on schools funding. It also seeks approval for both the Council Tax Reduction Scheme and Business Rates discount for 2023/24.

The report fulfils the legislative requirement for the Section 151 Officer to report formally on the robustness of the estimates, the adequacy of reserves and on the risks in the budget strategy. The report also includes recommendations on treasury management and prudential borrowing for Full Council to approve to comply with statutory requirements.

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## 1. Recommendations

1.1. It is recommended that Cabinet:

### Revenue Budget

- 1.2. Approves total General Fund savings of £14.729m over the MTFS period 2023/24 to 2026/27, submitted as part of the 2023/24 budget review process. This includes £7.396m savings from the General Fund over the same period of which £7.184m is to be delivered from the General Fund in 2023/24 (section 5.2 and Appendix 2).
- 1.3. Authorises the Strategic Director or 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 or the relevant officer or portfolio holder before a final decision is taken on implementation; and
    - iii) where a decision is taken not to proceed with any proposal then alternative proposal(s) will be brought forward for consideration.
- 1.4. In relation to savings proposals that are significantly cross cutting across more than one service, authorises the Strategic Director or Director with primary responsibility for the savings proposal to complete any required equalities analysis assessments and to consider the outcome, and any other cross-cutting implications, following consultation with the Strategic Directors or Directors of the other services significantly impacted by the proposals, prior to taking any decisions to implement such proposals.
- 1.5. Notes in relation to 1.3 and 1.4 above, that where appropriate any key decisions will be brought back to Cabinet.
- 1.6. Notes the latest Medium-Term Financial Strategy (MTFS) for 2023/24 to 2026/27 (Section 4).
- 1.7. Approves £46.368m of revenue growth for 2023/24 (paragraph 5.2.2) and authorises the Strategic Director of Corporate Resources (Section 151), following consultation with the Portfolio Holder and Strategic Leadership Team (SLT) to agree and allocate the service growth as part of the detailed service budget setting process.

- 1.8. Notes that the Council is in a position to agree a balanced budget for 2023/24 and that any remaining budget gap following the Council Tax decision by Full Council on 8 March 2023 will be closed using reserves.

### **Fees and Charges**

- 1.9. Approves the schedule of fees and charges for 2023/24 (paragraph 5.3 and Appendix 3).

### **Council Tax**

- 1.10. Considers and recommends to Full Council an increase of 2% for the Social Care Precept and an increase of 2.99% for Council Tax in 2023/24 (paragraph 5.7.4).

### **Council Tax Reduction Scheme**

- 1.11. Notes the changes to the current Council Tax Reduction Scheme (paragraph 5.7.15 and Appendix 4) as approved by Cabinet on 7 December 2022 for recommendation to Full Council on 8 March 2023.

- 1.12. Notes that elsewhere on this agenda, Cabinet is being asked to approve the distribution of the additional Council Tax Support Fund for 2023/24.

### **Council Tax Empty Property Premium Charge**

- 1.13. Approves to continue with an additional premium on top of the standard council tax for properties which have been empty for more than 2 years and to agree in principle to commence an additional 100% charge for the properties empty for more than one year from 1 April 2024 (paragraph 5.7.7).

### **Business Rates Discount**

- 1.14. 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 2023/24 (paragraph 5.10.3).

- 1.15. Authorises the Strategic Director of Corporate Resources (Section 151) to make determinations in relation to applications for such NNDR discounts, in accordance with the Council's adopted criteria.

### **Schools Budget**

- 1.16. Notes the outcome of 2023/24 School Funding Formula changes as agreed in consultation with Schools Forum (Section 6) and authorises the Strategic Director of Corporate Resources (Section 151) 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.

- 1.17. Approves the Dedicated Schools Grant (DSG) Early Years Funding Formula Factors for 2023/24 (paragraph 6.2.12).

**Housing Revenue Account (HRA)**

- 1.18. Notes the HRA revenue budget for 2023/24, as presented to Cabinet on 25 January 2023 (Section 7).

**Capital Programme 2023/24 – 2027/28**

- 1.19. Notes the new General Fund capital programme additions totalling £12.850m to be approved by Full Council on 8 March 2023 and decommissioning of £12.574m (Section 8 and Appendix 6).
- 1.20. Notes the capital programme additions relating to the HRA (Section 8) that were considered as part of the HRA Business Plan by Cabinet on 25 January 2023.
- 1.21. Endorses and approves the following recommendations to Full Council, on 8 March 2023, that it:

**1. Revenue Budget 2023/24 and Medium-Term Financial Strategy 2023/24 to 2026/27:**

- a) Considers and approves the Revenue Budget for 2023/24 as summarised in Appendix 1.
- b) Considers the advice of the Strategic Director of Corporate Resources (Section 151) 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 10).
- c) Notes the financial risks and pressures set out in the report (Section 4 and Section 14).
- d) Approves the Parking Account 2023/24 (paragraph 5.12 and Appendix 5).
- e) Approves the draft Schools budget of £310.595m and agrees that any changes to the budget reasonably required as a result of the final 2023/24 DSG settlement are delegated to the Strategic Director of Children's following consultation with the Strategic Director of Corporate Resources (Section 151) (Section 6).
- f) Approves for the Strategic Director of Corporate Resources (Section 151) to agree appropriate actions to comply with the revised DSG guidance, including agreeing the appropriate Deficit Recovery plan for DSG (Section 6).
- g) Notes that the General Fund balance is scheduled to remain the same at £15.919m for 2022/23 and notes the forecast levels of earmarked reserves (Section 10 and Appendix 10).

## **2. Capital Programme 2023/24 – 2027/28**

- a) Approves the new General Fund capital programme additions totalling £12.850m (paragraph 8.3 and Appendix 6) and £12.574m of budgets to be decommissioned.
- b) Approves the updated profile of the current Capital Programme, as set out in Section 8 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 9 and Appendix 9).
- b) Approves the Treasury Management Policy Statement (Appendix 9).
- c) Notes the Strategic Director of Corporate Resources (Section 151) 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).
- g) Approves the Flexible Use of Capital Receipts policy for 2023/24 over the new MTFs period, subject to meeting Department for Levelling Up Housing and Communities (DLUHC) criteria (Appendix 8).
- h) Authorises for the Strategic Director of Corporate Resources (Section 151) to agree commencement of the programme and sub-projects to be funded from the Flexible Use of Capital Receipts (Annex A of 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 2023/24 (paragraph 5.7.4).
- b) Notes the Greater London Authority (GLA) Band D precept of £434.14 for 2023/24 (paragraph 5.6.2).
- c) Notes that the Strategic Director of Corporate Resources (Section 151) calculated under delegated authority on 9 January 2023 the amount of 121,612.9 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 2023/24; 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 5.7.1).
- d) Notes the forecast Collection Fund position for 2022/23 (paragraph 5.9).
- e) Notes the Council's share of the council tax and business rates income forecast for 2023/24, as approved by the Strategic Director of Corporate Resources (Section 151) (paragraphs 5.9 to 5.10 and Appendix 1).

- f) Approves to continue an additional premium on top of the standard council tax for properties which have been empty for more than 2 years and to agree in principle to commence an additional 100% charge for the properties empty for more than one year from 1 April 2024 (paragraph 5.7.7)
- g) Notes the revised Local Council Tax Reduction Scheme for the financial year 2023/24 as approved by Cabinet on 7 December 2022 (paragraph 5.7.15, Appendix 4).
- h) Notes that elsewhere on this agenda Cabinet is being asked to approve the Additional Council Tax Support Fund for 2023/24.

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

- a) Ealing Business Partnership meeting held on 16 February 2023; and
- b) Overview and Scrutiny meeting held on 21 February 2023.

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

2.1. This report to Members on the 2023/24 Budget and Medium-Term Financial Strategy (MTFS) finalises the position since the last budget strategy report to Cabinet in July 2022 and brings together a number of significant issues for Cabinet decision. The main purpose is to enable Cabinet to consider the budget proposals and make recommendations to Full Council for when it finalises the budget and sets the council tax on 8 March 2023.

2.2. The Council has continued to invest in services that experience significant and continued demand pressures, with prioritisation being given to the most vulnerable groups. Due to the complexity of the service provision, against the backdrop of a pandemic, continuing uncertainty of long-term Government funding notwithstanding the increase in funding as a result of the final 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 proposals in this report will contribute to the savings agreed in the budget strategy. Some of the savings' proposals will have more detailed implications which will only emerge following consultation. Where this is the case, those detailed implications will be considered before a final decision is taken on implementing the proposal, including whether a proposal should be amended prior to implementation. Where proposals when considered in more detail result in a lower financial saving, it is the responsibility of the respective Director to find alternative savings to the equivalent value to replace the reduced amount.

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 Setting**

3.1. The Council's approach to setting the budget was originally set out in the Budget Strategy Report to Cabinet on 13 July 2022.

### **3.2. Delivering the Administration's Priorities**

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

- Creating good jobs;
- Tackling the climate crisis; and
- Fighting inequality.

### **3.3. 2023/24 Budget Approach**

3.3.1. The budget strategy focussed on identifying opportunities in the following strands:

- Transformation and Change opportunities;
- Department/ Service-led savings, income opportunities and efficiency;
- Review of corporate budgets; and
- Growth mitigation measures, for example through demand management and other mitigating actions.

### **3.4. Key Objectives and Deliverables**

- 1) Set and deliver a balanced budget and improve financial resilience.
- 2) Supporting the delivery of the Administration's manifesto and priorities.
- 3) Maximise transformation and medium-term decision-making to deliver savings and improve outcome for residents.

### **3.5. 2023/24 Budget Process**

3.5.1. The last update to Cabinet in July 2022 showed a revised indicative budget gap of £38.276m.

3.5.2. As part of the budget process, the review of corporate budgets and service-led savings reviews have contributed towards addressing the MTFS challenge. In

addition, a number of mitigating actions have been identified to reduce the growth requirements. Significant savings are increasingly hard to identify with a number of savings in 2023/24 being of a one-off or short-term nature, with some new savings identified for future years whilst demand pressures continue to rise. The table below summarises how the Council is looking to close the 2023/24 budget gap.

*Table 1: 2023/24 Indicative Budget Gap as at February 2023*

<b>2023/24 Budget Gap as at February 2023</b>	<b>2023/24</b>
	<b>£M</b>
Budget Gap as at July 2022	38.276
General Fund Savings (appendix 4)	(7.184)
General Fund Growth above £35m gap assumption	11.366
<b>Subtotal: Budget Gap</b>	<b>42.458</b>
Updated grant income assumptions following final Local Government Finance Settlement	(19.920)
Updated core funding income assumptions for Business Rates and Council Tax	(9.887)
Income from proposed increase to core Council Tax and Social Care Precept	(8.131)
Concessionary fares levy and other corporate items	(4.521)
<b>2023/24 Budget Gap as at February 2023</b>	<b>0.000</b>

#### **4. Medium-Term Financial Strategy (MTFS)**

##### **4.1. Financial Context and Overview**

- 4.1.1. 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, analysis of advice and information and the impacts of the 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.
- 4.1.2. In broad terms although the final settlement was better than had been feared for much of the year, there still is a high degree of uncertainty around levels of funding in future years. The postponement of funding reforms and the absence of Government spending plans mean that there is significant funding uncertainty, making the preparation of medium-term financial plans complicated and speculative.
- 4.1.3. Uncertainty regarding the impact of Local Government funding reforms (business rates baseline funding reset and the Fair Funding review), the

deferred health and social care reforms and the wider economic turmoil including the cost of living crisis present significant risks. This in turn creates a high degree of uncertainty both within and beyond 2023/24. As such the MTFs and budget strategy is being compiled in a period of unprecedented financial uncertainty and any estimates beyond one-year need to be viewed with a degree of caution.

- 4.1.4. In addition to the uncertainty, there is also the potential for significant spending pressures from demand-led services, new burdens which impact on the budget and recurring pressures seen as a result of cost of living, utility cost increases, inflation and COVID-19. Although growth has been built into the MTFs to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the inflationary, demographic and contractual pressures.
- 4.1.5. By design the MTFs is agile and moves to reflect the changing circumstances faced by the Council, updated priorities and ambitions, the latest financial situation and external factors such as national pay settlements (section 4.4 to 4.7). Members are asked to consider and agree the updated MTFs for 2023/24 and beyond as set out in table below, noting that the Council, in common with all local authorities, continues to face a challenging financial outlook. A more accurate forecast will need to be developed as and when further information is released by the Government, however initial plans will be prepared for following financial years on the basis of prudent scenarios in the absence of such clarity.
- 4.1.6. Over the last MTFs period the Council's budget approach has focused on driving efficiencies to deliver a balanced budget in the face of real terms Government funding cuts. At the end of this period the Council has continued to be successful in delivering a savings programme without adversely impacting on the most vulnerable. The MTFs has also been successful in building investment opportunities that have allowed the Council to adequately fund growth pressures resulting from both demographic pressures and also the changing needs of its vulnerable residents particularly social care pressures, with the Council using its precept powers to raise additional council tax income.
- 4.1.7. Noting the limitations in the ability to determine a budget gap with a reasonable degree of accuracy due to no certainty on future funding, an issue further compounded due to the uncertainty on services due to the pandemic and cost of living crisis, the table below summarises the MTFs forecast (including budget gap) for the period 2023/24 to 2026/27.

*Table 2: Medium Term Financial Strategy Summary*

MTFS 2023/24 to 2026/27	2023/24	2024/25	2025/26	2026/27
	£M	£M	£M	£M
<b>Funding</b>	<b>(286.681)</b>	<b>(290.748)</b>	<b>(292.476)</b>	<b>(294.221)</b>
<b>Net Services Expenditure</b>	<b>208.189</b>	<b>209.473</b>	<b>208.255</b>	<b>207.761</b>
Levies	25.401	30.711	34.594	34.594
Inflation	20.748	30.725	43.552	55.379
Contingency	2.000	2.000	2.000	2.000
Corporate Items	40.195	52.442	68.547	83.818
Treasury Management	33.184	41.691	43.528	45.280
Grants Held Centrally	(46.537)	(51.382)	(51.382)	(51.382)
<b>Net Centrally Held Budgets</b>	<b>74.991</b>	<b>106.188</b>	<b>140.839</b>	<b>169.689</b>
<b>Net Budget Requirement</b>	<b>283.181</b>	<b>315.661</b>	<b>349.094</b>	<b>377.450</b>
Contributions to (+) / from (-) reserves	3.500	3.500	3.500	3.500
<b>Net Budget Requirement after Reserves</b>	<b>286.681</b>	<b>319.161</b>	<b>352.594</b>	<b>380.950</b>
<b>Forecasted Budget Gap - Incremental</b>	<b>0.000</b>	<b>28.413</b>	<b>31.706</b>	<b>26.610</b>
Forecasted Budget Gap - Cumulative	0.000	28.413	60.119	86.729

4.2. As set out in 4.1.7 due to the continued uncertainty of Government funding beyond 2023/24, it is challenging for the Council to estimate an accurate 2024/25 budget gap. As such the budget gap set out in Table 2 should be seen as an indicator of direction of travel. Over the last three years, the Council has received late notification of additional grant that has facilitated the Council in closing its budget gap albeit it has been announced as typically one-off funding. Whilst the Local Government finance policy statement 2023/24 to 2024/25 seeks to provide some clarity over government funding intentions for 2024/25, the complex nature of the grant regime and the omission of key funding streams such as the New Home Bonus means that it is difficult to estimate the expected impact on Ealing's expected grant funding levels and amounts will not be known until mid-December 2023. At this time, it is financially prudent for the Council to look to work within the current estimate. The budget gap estimate will therefore be updated throughout the year as part of the development of the Budget Strategy for 2024/25.

#### 4.3. Principles underpinning the MTFS

- 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 any unplanned variances that arise in-year and reporting to the Strategic Leadership Team (SLT) and Cabinet.
- Appropriate levels of income generated with effective debt management

processes that allow for prompt collection of sums owed to the Council and monitoring of debt levels.

- Prudent assessment of future resources and unfunded cost pressures.
- Production of detailed implementation plans for all savings proposals and monitoring of delivery.
- Maximisation of external grant funding that meets the Council's priorities.
- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances held 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.
- Full integration of revenue and capital financial decision processes, to ensure the revenue implications of capital projects are appropriately reflected in the MTFs.
- Effective management of treasury management risks and opportunities, including smoothing out the debt maturity profile and borrowing only when necessary (in accordance with the Treasury and Capital Strategies).
- Prudent and proportional use of the Council's borrowing powers to undertake capital investment that is not funded by capital receipts or contributions from third parties.

#### 4.4. **Final Local Government Finance Settlement**

4.4.1. The final Local Government finance settlement was announced on 7 February 2023 for one-year only and reconfirmed previous announcements included within the 2021 Spending Round (November 2021) updated for the 2022 Autumn Budget statement announcements, Local Government Provisional Settlement and the Local Government technical consultation (December 2022). The settlement included the following key announcements:

##### **a) Local Government**

- Settlement Funding Assessment (SFA) to increase by £789m (5.3%) of which £154m relates to London. SFA includes business rates baseline, business rates top-up grant and revenue support grant.
- Revenue Supports Grant (RSG) to increase in line with September CPI (10.1%). Three grants were consolidated into the RSG keeping their existing distribution:
  - Council Tax Discounts Family Annex (£7.4m)
  - Local Council Tax Support Administration Subsidy (£69m)
  - Natasha's Law (£1.5m)
- Business Rates:
  - Business rates multiplier to be frozen.
  - Under-indexing multiplier grant has increased (by £930m), as

- compensation for lost income that would have been generated from an increase to the multiplier.
- Implementation of 2023 business rates revaluation, consulted in September 2022 with any adjustment of any gains or losses from this to be reflected with the tariff levy or top-up grant.
  - Transitional protection provided over the next three years before commencement of the next revaluation cycle.
  - Councils will be able to increase their core council tax threshold by 3% and Adult Social Care precept by 2%.
  - Continuation of New Homes Bonus (NHB) grant on same basis as 2022/23, attracting no new legacy payments with new scheme to be confirmed before the 2024/25 local government finance settlement. Overall the grant will be reduced by £265m in England of which £38m relates to London.
  - Lower Tier Services grant to be discontinued in 2023/24.
  - ‘Services Grant’ reduced by £464m across England (44%), of which £86m relates to London boroughs.
  - ‘Independent Living Fund’ grant (£161m) will be rolled up in the social care grant.
  - Fair Funding review (review of relative needs and resources) and business rates reset have been deferred for another two years.

**b) Health and Social Care:**

- As set out in the Autumn 2022 Budget Statement the adult social care funding reforms have been pushed back to October 2025.
- Social Care Grant to increase by £1.345bn of which £1.285bn is funded by money previously earmarked for adult social care funding reform, with an additional £80m redistributed from within the settlement. £1.185bn of this new funding will be allocated using the ASC Relative Needs Formula (RNF), with the remainder (£160m) used to equalise for the variation in yield that can be generated from the social care precept.
- Market Sustainability and Fair Cost of Care Fund grant totalling £162m has now been rolled up into a new ‘Adult Social Care Market Sustainability and Improvement Fund’ ring-fenced grant totalling £562m to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector. Further details on the conditions of this funding will be announced in due course.
- Continuation of Improved Better Care Fund at same level as 2022/23.
- A new Adult Social Care Discharge Fund grant worth £300m in 2023/24, aimed at reducing delayed transfers of care will be required to be pooled as part of the Better Care Fund. London boroughs will receive £49m (16.3%). Further details on the conditions of this funding will be announced in due course. The funding is expected to be made available for the next two years.

### **c) Education and Skills**

- Dedicated Schools Grant (DSG):
  - England will receive a 6.9% increase in total funding from 2022/23 (£3.8bn), while London will see only a 6.1% increase (£579m).
  - Schools Block funding will see an increase of 6.33% (£2.639bn) nationally which includes £1.45bn of supplementary grant for mainstream schools. For London the increase will be 0.89% (£370m), mainly supplementary funding for mainstream schools (£240m).
  - High Needs Block (HNB) funding will see an increase of 10.74% totalling £965m which includes £400m of supplementary funding. Overall London will see 10% increase (£177m of which £79m relates to the supplementary funding).
  - Early Years Block funding will see a 5.4% increase from 2022/23 with London to see a 4.9% increase.
  - The Central Schools Service Block funding continues to decline, falling by 2.6% (£10.3m). London will experience a 4% drop in funding.

### **d) Housing:**

- Homelessness Prevention Grant in 2023/24 has been increased by £8.863m (2.90%) nationally of which London will receive £2.680m (1.78%), with a further increase of £8.150m expected in 2024/25. The grant includes funding for councils to meet the burdens following the expansion of priority need to those who are homeless as a result of domestic abuse, which came into force in July 2021 following the landmark Domestic Abuse Act 2021.

### **e) Welfare**

- National Living Wage (NLW) and National Minimum Wage (NMW) increases from April 2023:
  - NLW – 9.7% for individuals aged 23 and over from £9.50 to £10.42
  - NMW (16 to 22 year-old) – between 9.7% to 10.9%, depending on age and role
  - NMW Apprentice rate – 9.7% from £4.81 to £5.28
- Benefits including Universal Credit and state pension to increase by 10.1%.

4.4.2. The health of the economy has direct and indirect impacts on the Council's MTFS. The comprehensive spending review (CSR) provides a high-level funding outlook over the short to medium term considering the latest economic performance and projections of GDP, borrowing, taxation levels and employment rates. However, a one-year finance settlement makes it difficult to assess the financial impact of the current MTFS assumptions in the medium term. It is made even more difficult due to the pandemic and wider global and

particularly national economic volatility and their impact in the long term on the national and local economy.

4.4.3. Many service pressures continue to increase. Adult and Children's social care and children with special educational needs and disabilities (SEND) demand and increasing complexity and cost of care needs continue to drive growth requirements along with increasing housing and accommodation challenges. As an example, in Adult Social Services alone the Council continues to spend over £0.276m per day (equivalent to £8.375m per month) providing care for eligible residents.

#### 4.5. **Inflation**

4.5.1. Currently inflation stands at 10.5% (CPI December 2022) which is 8.5% above the Bank of England inflation target rate of 2%, and the highest rate for 40 years.

4.5.2. The impact of the on-going high levels of inflation combined with the cost of living crisis and rising energy prices have a significant impact on the local and national economy, local businesses and residents. The Council is not immune to this and is experiencing significant increases in costs. Below is a list of key service areas or contracts that have been identified to have a financial impact in-year.

- a) Social care - both adults and children services are expected to be faced with additional in-year costs in relation to higher fees to care providers to offset their rising costs of running care homes and providing care.
- b) Home to School Transport - cost increases driven predominantly by the rising fuel prices.
- c) Construction - the soaring cost of construction materials means the costs of delivering capital projects is at risk of increasing which will impact both the General Fund and Housing Revenue Account (HRA) programmes. At the moment most contractors are trying to absorb such costs within their project budgets through the use of project contingency. However, as inflation keeps rising there is a higher probability that developers/providers will pass on some of these costs to the Council and new contracts are procured at significantly higher costs than anticipated 18 months ago. Although this will be dependent on individual negotiations and contract terms such cost increases could have an impact on the Council's treasury management budgets and borrowing requirements which may require the Council to review, defer and/or reprioritise capital projects to balance the overall budget.
- d) Private Sector Rental - landlords may seek to increase rents in line with



inflation which can lead to additional costs due to the availability of genuinely affordable private rented properties which could lead to increased homelessness requiring the need for temporary accommodation and use of bed and breakfast. In addition, the Local Housing Allowance was frozen which has an impact on council budgets due to the differential between the rent income from housing benefits and cost of property lease in relation to temporary accommodation.

4.5.3. As part of the annual budget process for 2023/24 the following inflation has been set aside in-year for inflation:

- £9.4m for pay inflation.
- £10.6m for contract inflation.

4.5.4. Due to uncertainty over the nationally negotiated staff pay-award and wider economic volatility impacting on prices, it is recognised that although this may not be sufficient to fully fund all inflation driven pressures borne by the Council, officers will flag pressures to the SLT and Members via the in-year financial monitoring process to ascertain the impact. Where required SLT will look to put in place measures and corrective action that continues to deliver a balanced budget for the year. Where such actions cannot fully meet the financial pressures, the Council will need to use its cash reserves to balance its budget in 2023/24. Any recurring cost pressures will need to be considered as part of the 2024/25 MTFs and budget process. The 2023/24 pay inflation growth includes the unfunded element of the 2022/23 pay award due to the higher than expected impact of the flat rate pay award.

4.5.5. Global price increases and spiralling inflation are having a major impact on these day-to-day services and construction projects and the Council could be faced with extraordinary additional costs at a time when budgets are already under strain. Councils have a legal obligation to balance their budgets and have very little scope for meeting these pressures without cutting services, cancelling or delaying major infrastructure projects, proposing council tax rises next year or using one-off reserves. With inflation likely to rise even further and remain high for the foreseeable future, councils face a winter of difficult decisions unless financial support is provided by government to offset these extraordinary additional extra costs.

#### 4.6. **Interest Rates**

4.6.1. Over the last year the Bank of England has increased interest rates eight times, from 0.50% in February 2022 to 4% in February 2023. The Bank of England Monetary Policy Committee are expected to review this next on 23 March 2023.

4.6.2. Officers have been observing the increase in interest rates on the Council's

investment income and borrowing requirement and have fed this into the Treasury Management Strategy for 2023/24. They will continue to monitor this closely and feed this into the quarterly financial position during 2023/24.

#### 4.7. **Children's Social Care Reforms**

4.7.1. On 2 February 2023 the Government published its vision for children's social care accompanied by a consultation. The 'Stable Homes, Built on love' implementation strategy is based on recommendations from the following three independent reviews:

- Alister's Independent Review of Children's Social Care;
- The Competition and Markets Authority report on children's residential homes; and
- The Child Safeguarding Practice Review Panel report into the murders of Arthur Labinjo-Hughes and Star Hobson.

4.7.2. The published strategy commits to additional investment of c£200m over the next two years for a number of measures relevant to local authorities.

4.7.3. The financial impact of any changes to funding distribution for children's social care and other proposals are not yet quantifiable. As further details emerge a financial assessment will be undertaken to understand the impact on councils general fund budgets.

#### 4.8. **Budget Planning Assumptions**

##### **Council Tax and Social Care Precept Options**

4.8.1. The MTFS assumes council tax will be raised by the officer recommended maximum of 4.99% (including a 2% rise in the social care precept) in 2023/24. This will increase the level of Ealing's element of council tax from £1,339.89 to £1,406.75 (£1,735.48 to £1,840.89 including the GLA precept) at Band D. No council tax increases are assumed in future years. However, Council Tax level is subject to an annual Full Council decision which may vary from this assumption. As such, the MTFS assumes no increases to council tax beyond 2023/24.

4.8.2. Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2023/24 is 2.99% for core Council Tax and up to 2% for the Social Care Precept. These increases are assumed in the Government's Core Spending Power calculations for councils and approximately 3.3% of the 9.9% increase for Ealing.

4.8.3. The financial value of additional income to Ealing of each 1% increase in

Council Tax is approximately £1.6m. The table below shows the weekly impact of each rise on the Band D value of the Ealing element of the Council Tax.

Table 3: Council Tax Scenarios

<b>Council Tax Increase (including Social Care Precept)</b>	<b>Ealing Band D Council Tax (£)</b>	<b>Weekly Band D Increase Impact (£)</b>	<b>Annual Band D Increase Impact (£)</b>
0.00%	1,339.89	0.00	0.00
1.00%	1,353.29	0.26	13.40
2.00%	1,366.69	0.52	26.80
3.00%	1,380.09	0.77	40.20
4.00%	1,393.49	1.03	53.60
5.00%	1,406.88	1.29	66.99

#### **Retained Business Rates**

- 4.8.4. From 1 April 2023 the locally retained share will continue to be 67% of the business rates income (37% GLA and 30% Ealing's share).

#### **Government Grants**

- 4.8.5. The final Local Government finance settlement confirmed the allocation of the following grants, and details of the grants and MTFS assumptions are summarised below:

##### **a) Services Grant**

In the 2022/23 Local Government finance settlement, the Government introduced this as non-ringfenced one-off allocation provided in recognition of the vital services, including social care, delivered at every level of local government and also included funding for local government costs for the increase in employer National Insurance Contributions. The grant has been continued for 2023/24, albeit reduced to reflect the reversal of the 1.25% increase in national insurance originally envisaged to fund the health and social care reforms and funding that has been redistributed to other grants. The MTFS continues to assume this grant will continue.

##### **b) New Homes Bonus (NHB)**

The government have confirmed new rounds of payments in 2023/24, although, as with 2022/23 these will not attract new legacy payments. Overall, there is an increase to the current funding of £0.396m. A consultation was launched after the 2021/22 settlement on the future of NHB. the consultation on the future of NHB concluded in April 2021, there has been no official response. The MTFS assumes for the funding to be phased out with an alternative funding to be provided at the minimum level assumed in the MTFS.

**c) Improved Better Care Fund (iBCF)**

The final Local Government finance settlement confirmed the Council's 2023/24 allocation of iBCF will remain the same as the 2022/23 allocation. Councils can spend the grant following agreement of local plans with their Integrated Care Boards (ICB) partners. Ealing has agreed a local plan for the funding which it will continue to use to deliver adult social care placements and services. The MTFs assumes this grant will continue.

**d) Social Care Grant**

The final Local Government finance settlement confirmed an increase in the Social Care Grant for 2023/24. The MTFs assumes this grant will continue and increase in 2024/25 in line with announced increases in funding.

**e) Lower Tier Service Grant**

The Lower Tier Service Grant has been abolished as part of the 2023/24 final Local Government finance settlement.

**f) Market Sustainability and Fair Cost Fund**

This has now been rolled into the Adult Social Care Market Sustainability and Improvement Fund, set out below.

**g) Adult Social Care (ASC) Market Sustainability and Improvement Fund**

The 2023/24 final Local Government finance settlement confirmed a new grant to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. The MTFs assumes this grant will continue and increase in 2024/25 in line with announced increases in funding.

**h) Adult Social Care Discharge Grant**

The 2023/24 final Local Government finance settlement confirmed a new grant will be required to be pooled as part of 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 the adult social care sector. The MTFs assumes this grant will continue and increase in 2024/25 in line with announced increases in funding.

Table 4: Centrally Held Grants Income Expected

Centrally Held Grants	2022/23 Budget £M	MTFS Forecast £M			
		2023/24	2024/25	2025/26	2026/27
Services Grant	(5.315)	(3.118)	(3.118)	(3.118)	(3.118)
New Homes Bonus	(4.492)	(4.888)	(1.520)	(1.520)	(1.520)
Improved Better Care Fund <sup>1</sup>	(12.679)	(14.457)	(15.643)	(15.643)	(15.643)

Centrally Held Grants	2022/23 Budget £M	MTFS Forecast £M			
		2023/24	2024/25	2025/26	2026/27
Children's and Adults Social Care Grant	(14.584)	(22.532)	(26.110)	(26.110)	(26.110)
Lower Tier Service Grant	(0.725)	0.000	0.000	0.000	0.000
Market Sustainability and Fair Cost of Care Fund	(0.957)	0.000	0.000	0.000	0.000
ASC Market Sustainability and Improvement Fund	0.000	(3.319)	(4.991)	(4.991)	(4.991)
<b>Total Expected Grant Income Held Centrally</b>	<b>(38.752)</b>	<b>(48.315)</b>	<b>(51.382)</b>	<b>(51.382)</b>	<b>(51.382)</b>

<sup>1</sup> As the new Adult Social Care Discharge grant of £1.778m in 2023/24 and an additional £2.963m in 2024/25 are included as part of the pooled Improved Better Care Fund total.

**Budget Factors**

4.8.6. The table below sets out the pressures that could have an impact on the budget.

Table 5: Factors that are likely to impact the Budget

Factors	Impact
Delivery of agreed savings	The budget for 2023/24 and over the medium-term requires the Council to deliver on all the savings set out in this report. These savings will be closely monitored on a regular basis throughout the financial year to ensure that they are on track to be achieved. Where savings are unlikely to be achieved then substitute proposals will need to be taken to ensure the overall budget can be achieved.
Inflation differing from assumptions	As the National Joint Committee (NJC) is negotiating with representatives of public sector unions at the time of setting the budget for 2023/24 the pay awards are unknown. The MTFS has assumed an estimated pay increase cost of £9m for 2023/24. £9.5m has been estimated for price inflation of contracts and utilities, including £3.8m for adult social care.
School pay inflation and associated on-costs	This can result in additional pressures on schools' budgets that can lead to pressures manifesting through either an increase in school deficits and/or DSG overspend.
Contractual risks	For example, contractor viability, non-delivery of commissioned services, impact of national minimum wage increases from April 2023 to name a few.

Factors	Impact
Demographic and demand-led pressures	<p>a) Children and Adults The Children’s and Adults’ budgets are under pressure due to the demand led nature of these services. One of the main risks in the budget relates to demographic change:</p> <ul style="list-style-type: none"> <li>• Adults – Residents are living longer, and many have increasingly complex care needs, particularly following the pandemic. Residents are being discharged from hospital with more acute and complex needs leading to additional costs. Although the Council has good monitoring and forecasting tools, it remains extremely difficult to forecast both numbers and need resulting in a risk that current forecasts could be understated, that may give rise to budget pressures.</li> <li>• Children – There are ongoing pressures in respect of expensive care placements due to the increased complexities of children in care and sufficiency of placements in the market. There also remain pressures in respect of SEN transport relating to the increased Education Health and Care Plan (EHCP) outcomes that results in more children requiring support.</li> </ul> <p>b) Homelessness There is a risk that levels of homelessness increase in the borough particularly due to the cost-of living crisis, increasing rents and landlords leaving the market with the subsequent requirement for the Council to support individuals in Temporary Accommodation at high cost.</p>
Income	<p>Levels of Council income are impacted by both businesses and individuals’ responses to the pandemic, economic climate and as people may cut back on areas of discretionary spending in a cost of living crisis. This could impact on levels of rental (HRA and temporary accommodation), planning, property, leisure services and car park income.</p> <p>Increased risks of collection and bad debts including for significant funding sources of business rates and council tax.</p>
School SEN expansions	<p>Due to the steep increase in the number of EHCPs, the service is experiencing pressures across SEN placement (DSG) and transport budgets (General Fund) due to the lack of adequate SEN places in the borough.</p>
Academisation	<p>Pressures caused by schools who are required to move to Academy status and the resultant financial liability upon transfer being the responsibility of the Council i.e., the Council having to fund any school deficit balances upon transfer.</p>

Factors	Impact
Levies paid to external bodies	<p>Levy payments are outside the Council’s control and need to be met from its budget requirement. Key cost drivers leading to any budget pressure will be due to:</p> <ul style="list-style-type: none"> <li>• volume-led levy payments such as the West London Waste ‘Pay as You Throw’ (PAYT)</li> <li>• inflation and cost increases above inflation assumed within the MTFS.</li> </ul>
Pension Fund	<p>Employer contributions into the Pension Fund can fluctuate depending on the net liability of the fund and an agreed deficit repayment plan. An actuarial review of the pension fund assets and liabilities is carried out every three years with the outcome feeding into the MTFS for the following three years. A valuation was undertaken during 2022 concluding no recommended change to Council’s budgeted contribution.</p>
Government grant income differing from assumptions	<p>With the Local Government Finance Settlement only announcing a one-year funding announcement it is difficult to predict whether grants are to continue, at what level and its impact – a significant risk to the Council is the continuation of the new Home Bonus which will be consulted on during 2023/24.</p>
Business rates revaluation	<p>Previously, the revaluation cycle has varied from 6 to 7 years with the last business rates revaluation being 1 April 2017. The Government have introduced a shorter three-year revaluation cycle period which will look to align property valuations more closely with the current market rental values and will come into force on 1 April 2023. There remains a risk of an overall reduction to the Council’s income from business rates due to the volatility of appeals and the impact of COVID-19, inflation and wider economic downturn on businesses. In parallel the Council may see a budget pressure for revised business rates liability for its own premises.</p>
Local Government funding reform	<ul style="list-style-type: none"> <li>• Funding Fair Funding Review and Business Rates Baseline Reset – The Department of Levelling up, Housing and Communities (DLUHC) Local Government finance policy statement 2023/24 to 2024/25 indicated that in the longer-term it would seek to update Local Government funding with a review to be undertaken in the next Parliament.</li> <li>• This causes significant uncertainty regarding Ealing’s funding baselines for future years after 2024/25 and in undertaking any medium term financial planning. In the absence of implementation timeline and details of proposed funding reforms, the MTFS currently makes an assumption with regards to Fair Funding budgetary impact on the General Fund. The lack of details on the proposed change and an updated timeline for implementation causes considerable uncertainty when undertaking meaningful financial planning to determine future funding assumptions.</li> </ul>

Factors	Impact
COVID 19 and economic downturn	The potential long-term impact on the local economy, particular in relation to council tax and business rates income and fees and charges can pose a considerable budget pressure. In addition, the medium and long term effect of Covid on demand for services is still unknown.
Health and Social Care Reforms	The Chancellor has deferred the implementation of the Health and Social care reforms for the next 2 years, especially changes proposed around charging and caps of care funding contributions.
New Waste Recycling Legislation	On 24 March 2021, the Government published the second round of the Resources and Waste Strategy consultation on the DRS (Deposit Return Scheme) and EPR (Extended Producer Responsibility). The impact of the schemes will have financial implications on the collection and separation of certain items, collections from difficult to reach properties etc. As details of the policy are released a financial implication assessment will need to be undertaken in collaboration with the West London Waste Authority to determine the impact on the Council's finances.
Children's Social Care Reform	<p>As set out above on 2 February 2023 the Department for Education (DfE) published 'Stable Homes, Built on Love' its implementation strategy and consultation in response to three independent reviews.</p> <p>The published strategy commits to additional investment over the next two years relating to Phase One of the Government's reforms, taking these to the end of the current Spending Review period. Phase One focuses on making immediate improvements with subsequent phases to follow subject to funding, outcome of consultation and parliamentary approval focussing on fundamental reforms everywhere.</p> <p>Before the next spending review the Government is intending to publish and consult on a new Local Government funding formula distribution with regards to children and young people services aim of which is to improve support for vulnerable children and families, reduce the need for crisis response and providing more early support to families. As details of the funding reforms are known a financial implication assessment will need to be undertaken to determine the impact on the General Fund.</p>

**4.9. Monitoring and Review**

4.9.1. Cabinet receives regular budget update reports during the year on how the Council is progressing against its MTFS. All processes and procedures relating to the monitoring of the budget are set out in the Council's Financial Regulations.



4.9.2. The strategy is published on the Council’s website and communicated to staff and stakeholders.

## 5. 2023/24 General Fund Revenue Budget

5.1. The Council’s General Fund Revenue Budget and Capital Programme proposals are the outcome of work through the budget and service review process. Appendix 1 provides a summary of the 2023/24 Revenue Budget.

### 5.2. 2023/24 Budget Assumptions

5.2.1. Budgets reflecting cost increases identified between 2022/23 and 2023/24 have been prepared in consultation with the Strategic Director of Corporate Resources (Section 151), Strategic Leadership Team (SLT), service budget leads and other officers within the Council’s departments. For 2023/24 there will be no automatic inflationary increase of budgets. The assumptions are set out below:

- a) Inflation – The overall inflation fund set aside centrally is for both pay and contractual inflation. The NJC are currently in negotiation with public sector unions to agree 2023 pay inflation. Pay increases will be prioritised against the funds initially with the remaining budget being made available to fund any contractual increases. The Commercial Hub will lead on reviewing and assessing the contractual inflation and upon their recommendation a budgetary uplift will be considered and provided by the Strategic Director of Corporate Resources (section 151 officer) within the available funding envelope.
- b) Income – a review was undertaken of all fees and charges as part of the annual budget process. For 2023/24 increases are recommended in response to cost inflation pressures on the underlying service delivery budgets and to ensure that charges are set to recover costs (except for those that are set under statute or subsidised).

### Growth Proposals

5.2.2. Budget growth proposals have been considered as part of the budget review process under five broad categories. As part of this process a general fund growth provision of £46.368m for 2023/24 has been made centrally, summarised in the table below.

*Table 6: Centrally held revenue growth*

<b>2023/24 Growth held Centrally</b>	<b>£M</b>
Organisational Change	1.791
Delivery of Savings	0.065
Service Growth and Pressures	21.047

<b>2023/24 Growth held Centrally</b>	<b>£M</b>
Inflation	19.959
Capital Investment (revenue support)	0.506
Council Plan – Real Living Wage	3.000
<b>Total MTFS Growth</b>	<b>46.368</b>

- 5.2.3. Significant increases in inflation experienced during 2022/23 were not envisaged in February 2022 when the 2022/23 budget was being set. At that time inflation was running at 5.5% compared to 10.5% in December 2022. Whilst the sector has campaigned for additional in-year funding from Government to meet this extraordinary inflationary pressure, this has not been forthcoming. Therefore the 2023/24 budget includes significant service growth required to meet the 2022/23 unfunded price increases experienced in-year.
- 5.2.4. The growth is derived from sensitivity budget modelling, with the ‘realistic’ case assumptions being included within the final budget. The growth budget being set aside is to fund key service which is reflected in the third quarter monitor for 2022/23 and adjusted for one-off mitigations, in particular inflationary pressures across social care, cost of nursing and hospital discharges. Placement costs for Children with Disabilities (CWD) and SEN transport are being reported as significant pressures in the Budget Update 2023/24 report to the same Cabinet meeting.
- 5.2.5. In consultation with the Portfolio Holder and Strategic Leadership Team (SLT), the Strategic Director of Corporate Resources (Section 151) will agree an allocation framework of growth as part of the detailed service budget setting process.
- 5.2.6. Social care grant increases and precept growth will be used to fund inflationary and growth pressures in Adult social care. The additional funding for social care for both Adults and Children has been used to focus on addressing unbudgeted expenditure and use of reserves across these areas. This has enabled the Council to set a balanced budget without the use of a planned transfer from reserves.
- New Saving proposals**
- 5.2.7. Members should note that the net savings proposals are presented as incremental changes to the 2023/24 base budget. Each subsequent year’s proposals are then shown as incremental changes to the preceding year.
- 5.2.8. Officers have continued to work on proposals to close the gap across a range of Council Plan Priorities and specific service programmes. In total there are £14.729m of savings proposed as part of this report, of which of £7.396m relate

to General Fund. Details are contained with Appendix 2 with a summary of the saving proposals presented for approval set out in Tables 7 and 8.

Table 7: Summary of Saving Proposals

Savings Summary	2023/24	2024/25	2025/26	2026/27	Total MTFS Savings
	£M	£M	£M	£M	£M
General Fund Savings	7.184	(1.169)	1.037	0.344	7.396
Cost Avoidance Savings	2.968	0.864	2.662	0.839	7.333
<b>Total Gross Savings</b>	<b>10.152</b>	<b>(0.304)</b>	<b>3.699</b>	<b>1.183</b>	<b>14.729</b>

Table 8a: Net Saving Proposals relating to General Fund

General Fund Savings Summary By Department	2023/24	2024/25	2025/26	2026/27	Total MTFS Savings
	£M	£M	£M	£M	£M
Children's Services	0.733	(0.733)	0.000	0.000	0.000
Housing & Environment	3.167	1.018	0.954	0.261	5.400
Economy	1.787	(1.787)	0.000	0.000	0.000
Corporate Resources	(0.011)	0.288	0.038	0.038	0.353
Strategy & Change	0.095	0.000	0.000	0.000	0.095
Council Wide	1.412	0.045	0.045	0.045	1.547
<b>Total Net General Fund Savings</b>	<b>7.184</b>	<b>(1.169)</b>	<b>1.037</b>	<b>0.344</b>	<b>7.396</b>

Table 8b: Cost Avoidance Proposals

Cost Avoidance Savings Summary By Department	2023/24	2024/25	2025/26	2026/27	Total MTFS Savings
	£M	£M	£M	£M	£M
Children's Services	2.284	1.355	2.246	0.717	6.602
Adults Service & Public Health	(0.316)	0.509	0.416	0.122	0.731
Housing & Environment	1.000	(1.000)	0.000	0.000	0.000
<b>Total Cost Avoidance Savings</b>	<b>2.968</b>	<b>0.864</b>	<b>2.662</b>	<b>0.839</b>	<b>7.333</b>

### 5.3. Fees and Charges

- 5.3.1. 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, General Purposes Committee or by Officer decision under delegated authority.
- 5.3.2. Any significant changes must take account, from an equalities perspective, of 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.

5.3.3. The Council's approach to setting fees and charges for 2023/24 has been to increase any discretionary charges (where possible) by inflation or in line with previously approved savings or to recover full costs. As part of the MTFS and budget process, reviews are planned during 2024/25 as part of the Council's continuous assessment of recovery of full costs.

5.3.4. The proposed fees and charges schedule for 2023/24 is attached as Appendix 3.

#### 5.4. **Specific Grants**

5.4.1. In 2022/23, Ealing expects to receive £45m in specific Government grants excluding RSG, retained business rates grants (section 31 and top-up funding), DSG, housing benefit payments, Pupil Premium grant, other schools funding and monies for Public Health responsibilities.

5.4.2. At this point, not all Government grants have been announced for 2023/24. Ealing is therefore awaiting notification of what some grants will be in 2023/24, the most significant grant allocation outstanding is for Public Health.

#### 5.5. **Levies**

5.5.1. Levies in 2023/24 make up 8% of the Council's net budget. Set out in Table 9 are details of the levies which, although outside of the Council's direct control, need to be considered when setting the budget and council tax. At the time of writing final figures are still awaited; any adverse changes will be met by a balancing adjustment on council-wide budgets held centrally. The main change in levies is to do with concessionary fares because of the reduction in number of passenger journeys over the last years which has been used by London Councils to determine an estimate for the following year.

*Table 9: Provisional Levies Budget*

Authority	2022/23 Budget	2023/24 Indicative	Movement		Provisional / Final
	£M	£M	£M	%	
Concessionary Fares	9.443	10.220	0.778	8.23%	Provisional
West London Waste Authority	13.044	13.734	0.690	5.29%	Provisional
London Pension Fund Authority	0.398	0.411	0.013	3.19%	Provisional
Coroners Service	0.441	0.441	0.000	0.00%	Provisional
Lee Valley Regional Park Authority	0.281	0.306	0.025	9.01%	Provisional

Authority	2022/23 Budget	2023/24 Indicative	Movement		Provisional / Final
	£M	£M	£M	%	
National Rivers Authority	0.280	0.288	0.008	3.04%	Provisional
<b>Total</b>	<b>23.887</b>	<b>25.401</b>	<b>1.514</b>	<b>6.34%</b>	

## 5.6. Greater London Authority Precept

5.6.1. The Mayor of London issued a consultation document on 18 January 2023 proposing an increase in the council tax precept of £38.55p from the 2022/23 level of £395.59 per Band D council taxpayer, rising to £434.14 in 2023/24. The precept represents 23.58% of the overall headline council tax bill. At the time of writing the Greater London Authority's (GLA) final draft budget is scheduled to be considered by the London Assembly on 23 February 2023. Should the Assembly agree a precept other than the amount set out in this report, which is considered unlikely, then a revised Council Tax Resolution will be tabled at the Full Council meeting on 8 March 2023. Otherwise, the amounts in this report are final.

5.6.2. The amount of GLA precept per council tax band is set out in Table 10.

Table 10: GLA Proposed 2023/24 Council Tax by Band D

Valuation Band	A	B	C	D	E	F	G	H
£	£289.43	£337.66	£385.90	£434.14	£530.62	£627.09	£723.57	£868.28

## 5.7. Council Tax

### Council Tax Base

5.7.1. 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. The Strategic Director of Corporate Resources (Section 151) has calculated under delegated authority on 9 January 2023 the amount of 121,612.9 as the council tax base for the year 2023/24 at a collection rate of 98%.

### Council Tax Increase 2023/24

5.7.2. Each year the Government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2023/24 is 2.99% for core Council Tax and 2% for the Social Care Precept.

5.7.3. Final decisions on the budget and council tax will be taken on 8 March 2023 by Full Council. The level of council tax is a matter of political judgment, having due regard to the professional advice of Officers, and in particular to the advice

of the Strategic Director of Corporate Resources (Section 151) on the robustness of the budget and on reserves and balances.

- 5.7.4. Over the last decade the Council has successfully delivered low council tax levels significantly below both the national and outer London average and high-quality services with 2018/19 being the first rise in Ealing’s element of the core Council Tax in eight years. However, for 2023/24, to deliver a balanced budget, the MTFs is based on a recommended increase of the Adult Social Care Precept by 2% and the core Council Tax by 2.99%. This increase is necessary to mitigate the impacts of ongoing social care demand pressures and inflationary increases. The council tax income that will be generated is estimated to be around £8m.
- 5.7.5. Table 11 sets out the Indicative Basic Amounts of Ealing's council tax for 2023/24 excluding GLA based on the 2% Social Care Precept increase plus a 2.99% core Council Tax increase. Officers recommend that this increase is necessary to mitigate the impacts of inflationary cost pressures and social care growth.

Table 11: Ealing’s Proposed 2023/24 Council Tax by Band D

Valuation Band	A	B	C	D	E	F	G	H
£	£937.84	£1,094.14	£1,250.45	£1,406.75	£1,719.36	£2,031.97	£2,344.59	£2,813.50

- 5.7.6. As set out in paragraph 4.8.3 and Table 3 above, for every 1% increase in the 2023/24 council tax, an additional £1.6m of council tax revenue is raised and therefore for every 1% variation in the proposed council tax increase, further savings of £1.6m would be required.

**Council Tax Empty Property Premium**

- 5.7.7. 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 the Council 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, to bring back properties into use particularly given the challenges of housing shortages seen in many areas.
- 5.7.8. 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 a 100% additional amount from 1 April 2019. This was contained in the Rating (Property in Common Occupation) and Council Tax

(Empty Dwellings) Act 2018.

- 5.7.9. 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% extra) on top of standard council tax for properties which have been empty for more than 2 years, with effect from 1 April 2019.
- 5.7.10. Further to this change, the new Government Bill introduced formal 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.
- 5.7.11. From April 2020, Ealing Full Council decided that in addition to the 100% premium being charged on properties empty for over 2 years, to be able (subject to full council resolution) to charge a further 100% (300% in total) for those properties empty for more than 5 years.
- 5.7.12. From 1 April 2021, Ealing 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.
- 5.7.13. The recommendation is to continue to extend the Empty Property Premium Charge as detailed above.
- 5.7.14. The Government have now announced that an empty property premium (100%) can be charged on properties that have been empty for more than a year with effect from 1st April 2024. The Council intends to charge this premium to encourage the return to use of these properties. A final decision will be taken before the commencement of the 2024/25 financial year.
- Localised Council Tax Reduction Scheme**
- 5.7.15. On 7 December 2022, Cabinet approved to increase the maximum council tax reduction for the non-protected category from 75% to 80% for those who fall in the lowest income band (band 1) and their weekly income is below £136.89. Full Council will be asked to ratify the scheme on 8 March 2023.
- 5.7.16. The change will increase the Council Tax Reduction (CTR) entitlement for 4,933 households that currently receive 75% council tax award. Those in the protected category are already entitled to up to 100% of CTR.
- 5.7.17. The income bands have also been updated in line with September 2022 CPI of 10.1%. No other changes to income bands were made and the income bands, effective from 1 April 2023 will therefore be as follows:

Table 12: CTR Scheme Income Bands

Band	Protected		Non-protected	
	Income Bands (weekly income)	Council Tax Reduction Award	Income Bands (weekly income)	Council Tax Reduction Award
1	£0.00 - £136.89	100%	£0.00 - £136.89	80%
2	£136.90 - £159.70	75%	£136.90 - £159.70	60%
3	£159.71 - £182.51	60%	£159.71 - £182.51	50%
4	£182.52 - £205.34	50%	£182.52 - £205.34	40%
5	£205.35 - £228.15	40%	£205.35 - £228.15	30%
6	£228.16 - £250.96	30%	£228.16 - £250.96	20%
7	£250.97 - £273.79	20%	£250.97 - £273.79	10%
8	£273.80 - £296.60	10%	£273.80+	0%
9	£296.61+	0%		

5.7.18. The local CTR scheme also stipulates that the following items will be increased by the September CPI (or equivalent replacement) each year and applied to CTR calculations the following April:

- Earnings disregard
- Non-dependant deductions
- Banded incomes.

5.7.19. Full details of the scheme can be found at Appendix 4.

### CTR Caseload

5.7.20. The makeup of the CTR caseload for the last 18 months is broken down in the table below:

Table 13: CTR Caseload Numbers

Scheme Group	2020/21 Actual	2021/22 Actual	2022/23 Estimate
Pensioner	7,955	7,918	7,974
Working age non/protected (non-vulnerable)	8,840	7,404	6,744
Working age protected (vulnerable)	8,776	9,080	9,226
<b>Total Caseload</b>	<b>25,571</b>	<b>24,402</b>	<b>23,944</b>

5.7.21. Pensioner caseload accounts for 33% of the caseload, and working age for 67% of the caseload.

5.7.22. Prior to the introduction of the income band scheme on 1st April 2020, the CTR



caseload had been reducing year on year since CTR was introduced in April 2013. The caseload on 31st March 2020 was at 22,486. There was a sharp increase in CTR caseload at the start of the Covid pandemic and the demand for CTR has remained high. Since April 2022, the caseload has been reducing and the current trend is now showing a 5.57 % decline.

### **CTR expenditure**

- 5.7.23. Based on the current caseload and Council Tax Liability, it is estimated that the increase in CTR from 75% to 80% will increase CTR expenditure by £0.318m.
- 5.7.24. The Council uprated the income bands in line with the September 2022 CPI, 10.1%. This will result in many customers, who fall into other income bands, being entitled to more CTR as from April 2023 unless they also have a pay increase in line with inflation. This will further increase the CTR expenditure by £0.363m.
- 5.7.25. The combined effect of the increase in maximum CTR for non-vulnerable groups from 75% to 80% and an uprating of income bands in line with inflation will increase the CTR expenditure in total by £0.682m, which is a 2.4% increase. This excludes any potential increases in Council Tax from 2023/24.
- 5.7.26. The breakdown of forecasted expenditure for Council Tax Reduction for 2022/23 and 23/24 is below:

*Table 14: CTR Expenditure*

<b>Scheme Group</b>	<b>2022/23 Estimate (£M)</b>	<b>2023/24 Estimate (£M)</b>
Pensioner	11.030	11.030
Working Age	17.700	17.700
<b>Total Expenditure</b>	<b>28.730</b>	<b>29.360</b>

- 5.7.27. The expenditure does not take into account any potential council tax increases. A 1% increase in Council Tax will increase CTR expenditure by around £0.294m.
- 5.7.28. The actual Council Tax Reduction expenditure depends on the caseload for 2023/24 and any increase or decrease in CTR caseload will impact the CTR expenditure accordingly.
- 5.7.29. The Council will be considering the decision to adopt the amended scheme from 1 April 2023 at the Full Council meeting on 8 March 2023.

## 5.8. **Additional Council Tax Support Fund 2023/24**

- 5.8.1. On 23 December 2022, the Government announced funding and guidance for its Council Tax Support Fund for 2023/24. This allows the Council to reduce Council Tax bills by up to £25 for those in receipt of Council Tax Support (CTS) and to use the remaining funding as they see fit to further support households in need.
- 5.8.2. The Government has advised that the mechanism which should be used to make these reductions in Council Tax liability is by relying on section 13A(1)(c) of the Local Government Finance Act 1992 ("1992 Act"). Therefore, this report recommends an amendment to the Council's existing 13A(1)(c) policy provided as Appendix 4 to this report.
- 5.8.3. The Council's funding allocation for the additional Council Tax Support funding is £630,896.
- 5.8.4. The funding will be distributed under the policy which sets out the way in which the Council's discretion to make council tax reductions under section 13A(1)(c) of the 1992 Act will be utilised in 2023/24 and in subsequent years. This is distinct from the Council's Council Tax Reduction Scheme set out in 5.7.
- 5.8.5. The policy sets out two classes of taxpayer as eligible for the funding:
- 1) Those in receipt of CTS who will be entitled to an award of up to £40 off their Council Tax bill for 2023/24 under the Government's CTS fund. This will apply to all awards of CTS for the 2023/24 financial year. These reductions are made to qualifying Council Tax accounts without the need for application.
  - 2) Any excess Council Tax Support Fund provided to the Council and not used in a) will be provided to supplement the Council's Council Tax Discretionary Discount scheme from which households are able claim support under 13A(1)(c).
- 5.8.6. The £40 award consists of a £25 statutory maximum payment required by the Government and an additional £15 discretionary award which has been determined locally to support CTS claimants during the cost of living crisis. The award will be a maximum of £40, limited to the actual Council tax liability of the individual CTS recipient.
- 5.8.7. It is expected that the 2023/24 reductions under this policy will benefit around 9,926 households. This includes 1,934 pensioner households and 7,992 working age households.

## 5.9. Collection Fund

5.9.1. 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.

5.9.2. 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.

### Phasing of the in-year 2020/21 Collection Fund Deficit

5.9.3. On 5 November 2020 Parliament passed legislation allowing local authorities to phase 2020/21 collection fund deficits. The change in legislation was a direct result of the pressure placed on council tax and business rates collection rates due to the economic downturn caused by the COVID-19 pandemic. The 2020/21 deficits on the Collection Fund were allowed to be spread over three years to smooth the financial impact for councils. 2023/24 is the last year of phasing of the 2020/21 deficit.

### Estimated Collection Fund Balance as at 31 March 2023

5.9.4. The net estimated deficit as at 31 March 2023 is £12.022m, of which Ealing's share is £3.003m.

Table 15a: Net Estimated Collection Fund Deficit as at 31 March 2023

Net Estimated deficit on Collection Fund as at 31 March 2023	Council Tax (£M)	Business Rates (£M)	Total (£M)
London Borough of Ealing	(1.012)	4.015	3.003
Greater London Authority (GLA)	(0.350)	4.952	4.602
Department of Levelling Up, Housing and Communities (DLUHC)		4.417	4.417
<b>Collection Fund Net Surplus (+) / Deficit (-)</b>	<b>(1.362)</b>	<b>13.385</b>	<b>12.022</b>

5.9.5. At the time of writing the report the Business Rates element of the Collection Fund deficit included in the table above has been included within the final 2022/23 NNDR 1 return to DLUHC.

### 2023/24 General Fund Budget Impact

5.9.6. The net impact of the collection fund position on the budget is a net deficit of c£3m to be funded by the General Fund in 2023/24.

Table 15b: Collection Fund Net Deficit (+) / Surplus (-) as at 31 March 2023 Budget Impact

General Fund Impact for Ealing	Council Tax (£M)	Business Rates (£M)	2023/24 Total (£M)
% Share	78.80%	30.00%	
2020/21 Year 3 Deficit Phased	1.870	2.197	4.067
2021/22 Outturn Adjustment	0.432	0.333	0.765
Total 2021/22 Deficit Balance	2.302	2.530	4.832
2022/23 Estimated in-year Surplus (-) / Deficit (+)	(3.314)	1.485	(1.829)
<b>2022/23 Estimate Surplus (-) / Deficit (+) Balance</b>	<b>(1.012)</b>	<b>4.015</b>	<b>3.003</b>

## 5.10. Business Rates

- 5.10.1. The current Business Rates Retention scheme was implemented from 1 April 2013. The table below sets out the retained business rates share for 2022/23 and 2023/24.

Table 16: Retained Business Share

Retained Business Rates Share	2022/23 %	2023/24 %
Ealing's Share	30%	30%
GLA Share	37%	37%
<b>Total Retained</b>	<b>67%</b>	<b>67%</b>
Central Government Share	33%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>

- 5.10.2. The Council's MTFs has assumed retention of 30% of the estimated business rates for 2023/24.

### Real Living Wage Business Rates Discretionary Discount

- 5.10.3. On 16 February 2016, Cabinet decided to introduce a Real Living Wage (formerly known as London Living Wage) Business Rates Discretionary Discount scheme which encouraged employers to pay their employees a minimum of the London Living Wage. This scheme gave employers who pay business rates on property in the borough the opportunity to apply for a rating discount equal to two times the Living Wage Foundation accreditation fee for 2016/17, upon presentation of accreditation documentation issued, or renewed, during the 2016/17 financial year. The scheme was limited to the first 100 employers to apply. The decision made on 16 February 2016 was that the scheme was initially limited to one-year 1 April 2016 to 31 March 2017 and that its success would be reviewed. The scheme has since been extended to 31 March 2023.

5.10.4. Approval is now sought to extend the scheme for a further year from 1 April 2023 to 31 March 2024. This extended period only covers new applications for the discount and any ratepayers already receiving the discount could not apply again. The rest of the scheme rules remain the same.

#### 5.11. **Central Contingency**

5.11.1. 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 and process to be effectively managed. Officers deem it prudent to continue to sustain a central contingency budget of £2.000m for 2023/24, 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.

#### 5.12. **Parking Account**

5.12.1. The budget also includes a contribution 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.

5.12.2. The parking contribution to concessionary fares for 2023/24 is £10.220m. A breakdown of the parking account for 2023/24 is provided at Appendix 5.

### 6. **Schools Budget**

6.1. As an education authority the Council receives the following funding to either passport/administer funds to local schools and spend on any centrally retained functions:

- Dedicated Schools Grant (DSG)
- Pupil Premium Grant (PPG)
- Universal Infant Schools Meals (UIFSM)
- School Supplementary Grant

## 6.2. Dedicated Schools Grant (DSG) Allocation

- 6.2.1. The DSG is a specific ring-fenced grant to support the schools' budgets. In 2018/19 the National Funding Formula (NFF) was introduced which distributed the grant according to a formula based on the individual needs and characteristics of every school in the country. To provide stability for schools during the transition to the NFF, local authorities continued to be responsible for distributing money between schools in their area. 2023/24 is the first year of the transition to the direct schools NFF, with local authorities only allowed to use NFF factors in their local formula, excluding locally determined premises factors, and a requirement for local authorities to move their formula closer to the NFF and/ or where they are already mirroring the NFF to continue to do so.
- 6.2.2. 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)
- 6.2.3. In December 2022 the Government published the Council's 2023/24 DSG allocation.
- 6.2.4. The table below sets out the 2023/24 DSG indicative budget which has been consulted and agreed by the Schools Forum at the November 2022 and January 2023 meetings.
- 6.2.5. With the agreement of the Schools Forum the Council have retained elements of central funding and moved 0.5% of the SB (a continuation of funding agreements made in previous years), from the SB to HNB in 2023/24.
- 6.2.6. The 2023/24 DSG allocation is set out in the table below.

Table 17: DSG Allocation

DSG Blocks	2022/23 Revised	2023/24	Variance	Status
	£M	£M	£M	
Schools Block	274.247	291.294	17.027	Confirmed
Academy Recoupment	(79.343)	(84.955)	(5.612)	Provisional
Deduction for ESFA payments to billing authorities for NNDR	(3.986)	(4.007)	(0.021)	Confirmed
Subtotal: School Block Allocation	190.918	202.332	11.414	
High Needs Block	70.660	77.368	6.708	Provisional

DSG Blocks	2022/23 Revised	2023/24	Variance	Status
	£M	£M	£M	
Central Schools Service Block	2.565	2.498	(0.067)	Confirmed
Early Years Block	26.965	28.397	1.432	Provisional
<b>Total Allocation</b>	<b>291.107</b>	<b>310.595</b>	<b>19.488</b>	

6.2.7. Below is a summary of the school funding with further detail to be found in the School Funding 2023/24 report presented by the Council at the January 2023 Schools Forum meeting.

**Schools Block (SB)**

6.2.8. Listed below are the decisions the Schools Forum has taken in respect of the Schools DSG Block:

- 2023/24 Minimum Funding Guarantee (MFG) has been set at 0.0%.
- Continuation of funding transfer of £1.456m, 0.5% of SB to the HNB.
- Growth fund rules were agreed, and the rates uplifted to reflect the increased age weighted pupil funding rates that will be used in the 2023/24 funding formula.
- Schools that gain may be capped and scaled for affordability purposes. The local formula will be scaled back if needed through the Prior Attainment factor and deprivation factors.

**Early Years Block (EYB)**

6.2.9. From 2017/18 a new method of allocating early years funding to local authorities was introduced through a National Early Years Funding Formula EYFF. The EYB comprises:

- 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; and
- Early Years Pupil Premium

6.2.10. The proposed funding arrangements for 2023/24 are set out below. The funding arrangements for 2023/24 guiding the structure of the formula remain unchanged. The maximum a Local Authority will be able to retain for central spend remains set at 5%.

6.2.11. Whilst the table outlines the proposed allocation of the EYB for 2023/24, the final grant value will be determined based on pupil numbers in the January census results for 2023 and 2024.

Table 18: Provisional Early Years DSG Block Allocation

<b>Projection of Provisional Early Years Block in 2023/24</b>	<b>£M</b>
Central Spend 5% Allowance	1.186
Early Years Inclusion Fund	2.118
Nursery Education Grant Spend	19.651
Contingency	0.773
<b>Total 3-4-Year-Old Budget</b>	<b>23.728</b>
Early Years Pupil Premium/Disability Access Funding/Maintained Nursery School Supplement	1.028
2-Year-old Grant Spend	3.641
<b>Total Early Years Block</b>	<b>28.397</b>

- 6.2.12. The table below outlines the hourly funding rates for the Local Funding formula 2022/23 and proposed rates for 2023/24:

Table 19: Proposed Hourly Rates for Early Years

<b>Early Years Funding Formula Factor – All Nursery Providers</b>	<b>2022/23</b>	<b>2023/24</b>
Base Rate	90% of funding	90% of funding
Universal 15 hours	£4.63	£4.73
Additional 15 hours	£4.63	£4.73
Deprivation mandatory	5% of supplement	5% of supplement
	£0.26	£0.26
Quality	5% of supplement	5% of supplement
	£0.26	£0.26

### **High Needs Block (HNB)**

- 6.2.13. 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.

- 6.2.14. The Council is currently faced with a projected pressure which is being mitigated through one-off management actions including the 0.5% transfer from the School Block in 2023/24. The DfE has consulted widely on requiring overspends on the High Needs Block to be treated as 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 2023.

### **Central School Services Block**

- 6.2.15. 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.

### 6.3. **Other Funding**

6.3.1. Below is a list of other key grants the schools and the Council receive in addition to the DSG:

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

- raising the attainment of disadvantaged pupils of all abilities to reach their potential; and
- 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 5% 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 2022 and January 2023 census days.

c) **Mainstream School Additional Grant**

Additional funding for 2023/24 to provide mainstream schools with support for the additional cost pressures which were not foreseen when the original SB allocations were calculated. Allocations will be determined by the DfE in Spring 2023 based on updated pupil numbers and FSM6 rates, but the indicative allocation across all Ealing mainstream schools is £9.74m.

### 6.4. **DSG Account**

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

6.4.2. At the end of 2020/21 the Council held a net surplus balance of (£0.371m) on its DSG account which includes a HNB deficit of £1.999m. At the end of Quarter 3 of 2022/23, Children's and Schools service are forecasting a net deficit of £1.582m for the year, detailed in the Budget Update report being presented at the same Cabinet meeting.

6.4.3. The Council along with many other authorities continues to experience pressures on the HNB flowing from the increase in children with EHCPs and due to the level of need within that co-hort. 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 to lobby for additional funding.

6.4.4. 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.

## 7. Housing Revenue Account (HRA) Budget

7.1. The Housing Revenue Account (HRA) 2023/24 Budget, 5 Year MTFS and 30 Year Business Plan were approved by Cabinet on 25 January 2023.

7.2. The table below summarises the 2023/24 HRA revenue budget.

*Table 20: 2022/23 HRA Revenue Budget*

<b>HRA Revenue Budget</b>	<b>2022/23 £M</b>	<b>2023/24 £M</b>
Total Income	(73.624)	(76.767)
Total Expenditure	73.610	78.975
<b>HRA Net (Surplus)/Deficit Before Contribution to Balances</b>	<b>(0.015)</b>	<b>2.208</b>
Contribution to/(from) HRA Balances	0.015	(2.208)
<b>HRA Net (Surplus)/Deficit</b>	<b>0.000</b>	<b>0.000</b>

7.3. The HRA 5-year Capital Programme is included in section 8 below.

## 8. Capital Budget

### 8.1. Current Capital Programme Budget

8.1.1. The current approved capital programme budget for 2022/23 to 2027/28 is £1,296.633m. Subsequently the programme included within this report has been revised to reflect approved changes and decisions such as the net slippage being considered at this meeting in the 2022/23 Budget Update report.

### 8.2. Budget Approach to Capital

### 8.3. Additions to the Capital Programme

8.3.1. As part of the 2023/24 budget process new General Fund capital proposals have been identified, taking into consideration the Council's priorities. These additions are valued at £12.850m of which £6.717m will be funded from borrowing. The revenue costs of borrowing has 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 on-going revenue costs.

8.3.2. Appendix 7 reflects the updated capital programme, including the revised HRA capital investments that were considered by Cabinet on 25 January 2023.

8.3.3. The additions to the General Fund programme are detailed in Appendix 6, as are the capital schemes to be decommissioned.

8.3.4. As part of the 2023/24 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 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 of Corporate Resources (Section 151) to release budget (thereby giving authority to spend) upon approval of a detailed business case and option appraisal.

#### 8.4. Updated Capital Programme

8.4.1. 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 agreed at the Cabinet meeting on 25 January 2023.
- Changes in spending profiles between years, considered at this meeting in the 2022/23 Budget Update report and changes approved by Officers.
- General Fund additions and schemes to be decommissioned set out in Appendix 6 that are being recommended for approval at this meeting.

Table 21: Capital Programme 2022/23 to 2027/28

Capital Programme Summary	2022/23 £M	Capital Programme 2023/24 - 2027/28 £M					Total £M
		2023/24	2024/25	2025/26	2026/27	2027/28	
General Fund	164.728	303.452	145.437	56.603	20.079	15.460	712.759
HRA	82.241	137.741	153.790	98.754	50.148	61.201	583.874
<b>Approved Capital Programme<sup>1</sup></b>	<b>246.968</b>	<b>441.193</b>	<b>308.227</b>	<b>153.357</b>	<b>70.227</b>	<b>76.660</b>	<b>1,296.633</b>
Additions	0.000	8.525	1.990	1.065	1.270	0.000	12.850
Decommissioning	(0.355)	(12.219)	0.000	0.000	0.000	0.000	(12.574)
<b>Revised Capital Programme Total</b>	<b>246.613</b>	<b>437.500</b>	<b>310.217</b>	<b>154.422</b>	<b>71.497</b>	<b>76.660</b>	<b>1,296.909</b>
Mainstream Funding	119.454	276.017	261.878	104.619	13.777	49.856	825.602
Capital Receipts	24.051	21.346	15.649	21.645	39.063	8.593	130.348
Grants	84.057	90.294	13.662	11.484	0.000	0.000	199.498
S106	2.699	9.728	2.260	0.000	0.000	0.000	14.687

Capital Programme Summary	2022/23 £M	Capital Programme 2023/24 - 2027/28 £M					Total £M
		2023/24	2024/25	2025/26	2026/27	2027/28	
Partnership Contributions	4.035	21.161	0.800	0.500	0.500	0.500	27.496
Revenue Reserves	1.301	3.069	0.170	0.170	0.170	0.000	4.880
Revenue Contribution	0.193	0.011	0.060	0.000	0.000	0.000	0.264
Major Repairs Reserve	10.157	15.454	15.329	15.003	14.987	14.711	85.641
HRA Contribution	0.666	0.419	0.409	1.000	3.000	3.000	8.494
<b>Total Programme Funding</b>	<b>246.613</b>	<b>437.500</b>	<b>310.217</b>	<b>154.422</b>	<b>71.497</b>	<b>76.660</b>	<b>1,296.909</b>

<sup>1</sup> The total approved value reflects updates since Quarter 3 such as reflection of slippage considered by Cabinet at the same meeting as set out on the 2022/23 Budget Update report

8.4.2. Cabinet and Full Council are asked to approve the Capital Programme commencing from 1 April 2023 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.

## 8.5. Capital Strategy

8.5.1. 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.

8.5.2. 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.

8.5.3. 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 Corporate 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.

8.5.4. 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.

8.5.5. The Council's existing strategy has been reviewed to ensure compliance with the latest Prudential Code. Appendix 8 sets out the 2023/24 Capital Strategy which is recommended for approval by Full Council.

## **9. Treasury Management**

9.1. 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 to set prudential and treasury indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

9.2. In pursuit of the above the Council must produce as a minimum three key reports:

- 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.

9.3. 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 2023/24 which are recommended for approval by Cabinet.

### **9.4. Changes to the Treasury Management Code**

9.4.1. As set out above, CIPFA published an updated Treasury Management and Prudential Code in December 2021 requiring implementation from 2023/24. The main changes to the updated Treasury Management Code are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the 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.

9.4.2. Some of these Prudential Code changes were already reflected within Council's strategy in 2022/23. The key changes between 2022/23 and 2023/24 Council's treasury management strategy is the introduction of the Liability

Benchmark demonstrating the net loan requirement. Where actual loans are less than the benchmark, this indicates a future borrowing requirement and where loans outstanding exceed the benchmark, this represents an overborrowed position, which will result in excess cash requiring investment.

## **10. Statutory Declarations on Robustness of Budget Estimates and Adequacy of Reserves**

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

- The adequacy of the proposed reserves; and
- The robustness of the estimates.

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

10.3. The Strategic Director of Corporate Resources (Section 151) therefore advises that, in relation to the financial year 2023/24, the proposed budget is robust and the level of reserves and balances in the draft budget is adequate.

10.4. The 2023/24 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 in light of the current financial outlook.
- 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 the Council meets to set the budget.
- The Council's scrutiny function has had the opportunity to consider and comment upon the budget proposals to the Cabinet.

## **10.5. Adequacy of Reserves and Balances**

10.5.1. Under the 2003 Local Government Act, the Section 151 Officer, the Council's statutory Finance Officer - the Strategic Director of Corporate Resources, must be satisfied that the level of the General Fund balance is adequate. This un-

earmarked reserve the sum held centrally for unavoidable cost increases above expected inflation levels, other unforeseen items and spending pressures, acts as a financial safety net.

10.5.2. 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 such as:

- 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.
- Impact of COVID-19 and the economic downturn on council tax and business rates.

10.5.3. The Council's General Fund balance is at its target risk-assessed level of £15.919m 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 2023/24. £15.919m is 6% of the total net budget for 2023/24 of £283.181m (before reserves). The Strategic Director of Corporate Resources (Section 151) considers that a balance of £15.919m at 31 March 2023 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.

10.5.4. The recommendation of the Strategic Director of Corporate Resources (Section 151) on balances is therefore that the MTFs should ensure that the General Fund balance is maintained at £15.919m, which is the estimated balance as at 31 March 2023. No budgeted contribution to top-up the General Fund balance is being proposed as part of the 2023/24 budget process.

10.5.5. The Strategic Director of Corporate Resources (Section 151) advises Members that the level of reserves had previously reduced significantly 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.

- 10.5.6. The opportunity cost of holding the recommended General Fund balance of £15.919m in 2023/24 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.
- 10.5.7. 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.
- 10.5.8. The earmarked reserves exclude locally managed school balances, which are not available for use by the Council. The Council has a number of earmarked reserves as shown in Appendix 10 (summary at Table 22 below).
- 10.5.9. The Council has forecasted to transfer funds to and from earmarked reserves over the medium term, this is reflected in Appendix 10.

Table 22: Forecast of Reserves over the MTFS Period 2023/24 to 2026/27

MTFS Reserves Forecast	31 March 2023	31 March 2024	31 March 2025	31 March 2026	31 March 2027
	£M	£M	£M	£M	£M
Controllable Ring-Fenced Reserves	(30.355)	(29.900)	(29.900)	(29.900)	(29.900)
Controllable Non-Ringfenced Reserves	(40.447)	(43.615)	(47.265)	(50.905)	(54.545)
<b>Sub-total Earmarked reserves</b>	<b>(70.802)</b>	<b>(73.516)</b>	<b>(77.166)</b>	<b>(80.806)</b>	<b>(84.446)</b>
General Fund Balance	(15.919)	(15.919)	(15.919)	(15.919)	(15.919)
<b>Total General Fund Reserves and Balance</b>	<b>(86.721)</b>	<b>(89.435)</b>	<b>(93.085)</b>	<b>(96.725)</b>	<b>(100.365)</b>
Ringfenced Technical Reserves	(10.393)	(8.303)	(8.303)	(8.303)	(8.303)
Housing Revenue Account Reserves and Balances	(20.175)	(17.967)	(17.967)	(17.967)	(17.967)
Schools Balances	(20.294)	(20.294)	(20.294)	(20.294)	(20.294)
<b>Sub-total Other Reserves and Balances</b>	<b>(50.862)</b>	<b>(46.563)</b>	<b>(46.563)</b>	<b>(46.563)</b>	<b>(46.563)</b>
<b>Total Reserves and Balances</b>	<b>(137.583)</b>	<b>(135.998)</b>	<b>(139.648)</b>	<b>(143.288)</b>	<b>(146.928)</b>

- 10.5.10. 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 22.

- 10.5.11. 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.

## 10.6. **Financial Management Code**

- 10.6.1. 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.
- 10.6.2. It should be noted that although there is no legal requirement for the Council to comply with the code, compliance to the code will be a key requirement which will be assessed by the Council's external auditors as part of the Value for Money audit.
- 10.6.3. An update of progress and compliance against the code will be provided to the Audit Committee at its next meeting.

## 11. **Legal**

- 11.1. The Council has a legal duty to set a balanced budget.
- 11.2. 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.
- 11.3. **In regard to the Council's employment law duties**
  - 11.3.1. 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, including approving deletions of filled posts. That is why Cabinet is not being asked 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 and in

section 17 below (Equalities, Human Rights and Community Cohesion).

- 11.3.2. 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).
- 11.3.3. 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.
- 11.3.4. 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.
- 11.3.5. Employees whose posts are deleted are contractually entitled to pay protection in certain circumstances.
- 11.4. **In relation to Discretionary Relief to payers of the National Non-Domestic Rates (NDR)**
- 11.4.1. 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 Council's Cabinet.
- 11.4.2. 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.
- 11.4.3. 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.
- 11.4.4. 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.

## **11.5. In relation to Council Tax Empty Property Premium**

- 11.5.1. 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 allowed the Council to increase Council Tax by adding up to 50% to the Council Tax charge on some long-term empty properties. This is commonly known as the 'Empty Property Premium' or 'Long Term Empty Premium'.
- 11.5.2. From 1 April 2019 legislation allowed an increase in the premium, initially to a maximum of 100% and then extended this maximum to increase to 300%. This was contained in Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

## **11.6. In relation to Council Tax Reduction Scheme**

- 11.6.1. 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.
- 11.6.2. Paragraph 2 of Schedule 1A to the 1992 Act, as amended by Schedule 4 of the Local Government Finance 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.

## **11.7. In relation to Phasing of 2020/21 Collection Fund deficits**

- 11.7.1. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020, which came into effect 1 December 2020. These regulations allow local authorities to spread any deficit arising in 2020/21 in relation to the Collection Fund over the next three years.

## **11.8. In regard to Schools Funding and Dedicated Schools Grant (DSG)**

- 11.8.1. 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.
- 11.8.2. The Schools Forum Regulations 2012, SI 2012/2261, School and Early Years Finance (England) Regulations 2018, SI 201/10 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.

## **12. Value for Money**

- 12.1. 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.
- 12.2. 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.
- 12.3. Where possible, savings proposals have been made that impact minimally on service delivery despite the challenges presented by the budget pressures outlined above.
- 12.4. The Council consistently monitors performance and finance in tandem, to ensure that value for money services are commissioned and provided for, as well regularly adjusting its activities to improve performance and achieve better value for money. The budget process sets the approach, providing the framework in which the Council can look to improve performance and achieve better value for money.

## **13. Sustainability Impact Appraisal**

- 13.1. 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.

## **14. Risk Management**

- 14.1. 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 2023/24 and beyond as set out in the annual review of the MTFS in this report.
- 14.2. The current final Local Government finance settlement only provides certainty for 2023/24, 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.
- 14.3. The MTFS model will continue to be updated as greater clarity is provided by the Government on their medium-term funding plans.
- 14.4. Given the uncertainties of the economic environment, impact of COVID-19 and

the anticipated scale of the expenditure reductions required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks are:

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

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

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

- unfunded income loss pressures as a result of the long-term impact of the pandemic particularly in relation to Council Tax and Business rates income. The Council will continue to closely monitor the impact of these income streams and support lobbying to Government as a region to ensure the Council can be full compensated for these losses;
- non-delivery of the approved savings; and
- social care placement pressures, which continue to be partly mitigated by spend controls, transformational cost reduction programmes and close monitoring by SLT and by the Leader and the portfolio holders for Inclusive Economy, A Fairer Start and Healthy Lives.

14.7. 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 of Corporate 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.

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

## 15. **Community Safety**

15.1. Not applicable.

## **16. Links to Three Key Priorities for the Borough**

- 16.1. 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 2023/24 will address the delivery of national and local priorities.

## **17. Equalities, Human Rights and Community Cohesion**

- 17.1. 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.
- 17.2. 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.
- 17.3. 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.
- 17.4. A full Equalities Analysis Assessment has been carried out in relation to the equalities impacts of the council tax increase recommendations in paragraphs 1.10 and 1.21(4). This is attached as Appendix 11.
- 17.5. 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, taking into account 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.

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

- 18.1. Not applicable.

## **19. Property and Assets**

- 19.1. 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.

## 20. Consultation

20.1. 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.

### 20.2. Budget Consultation and Scrutiny Process

20.2.1. 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.

20.2.2. On 16 February 2023, 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.

20.2.3. Meeting with the Overview and Scrutiny Committee (OSC) will be held a day before Cabinet on 21 February 2023. Feedback from this meeting will be submitted either in writing by the OSC Chair and/or Vice-Chair or provided verbally to Cabinet.

## 21. Timetable for Implementation

21.1. The budget timetable is set out above.

*Table 23: Timetable of Pending Key Budget Activities*

Date	Key Activities
February 2023	<ul style="list-style-type: none"><li>• Consultation with Ealing Business Partnership</li><li>• Budget proposals to Cabinet and Overview &amp; Scrutiny Committee</li><li>• Cabinet considers final budget proposals and makes recommendations to Full Council</li></ul>
March 2023	<ul style="list-style-type: none"><li>• Council approves Budget &amp; Council Tax for 2023</li></ul>

## 22. Appendices

Appendix	Appendix Title
1	Summary Revenue Budget 2023/24
2	New Savings to be considered - 2023/24 to 2026/27
3	2023/24 Fees and Charges Schedule
4	Council Tax Reduction Scheme
5	2023/24 Parking Account
6	New Capital Schemes and Schemes to be Decommissioned
7	Summary of Capital Programme 2022/23 to 2027/28
8	2023/24 Capital Strategy and Flexible Capital Receipts Policy
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

## 23. Background Information

Report Name	Date
Council Reports	
Treasury Management Mid Year Update 2022/23	13 December 2022
Cabinet Reports	
2022/23 Budget Update Report	22 February 2023
Council Tax Support Fund 2023/24	22 February 2023
Housing Revenue Account (HRA) Business Plan 2023/24	25 January 2023
Revised Council Tax Reduction scheme for 2023/24	7 December 2022
2022/23 Budget Amendment	18 May 2022



Report Name	Date
Budget Strategy and MTFS 2022/23 to 2024/25	9 February 2022
Schools Forum Reports	
Schools Funding 2023/24	19 January 2023
Schools Funding 2023/24	10 November 2022
Audit Committee	
Treasury Update – Quarter 2	29 November 2022
Officer Decision Reports	
2021/22 Collection Fund Estimated Deficit as at 31 March 2023	12 January 2023
2023/24 Council Tax Base	9 January 2023

## Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
<b>Internal</b>				
Emily Hill	Interim Strategic Director of Corporate Resources	Continuous	Continuous	Throughout
Tony Clements	Chief Executive	Continuous	Continuous	Throughout
Carolyn Fair Kerry Stevens Kieran Read Sandra Fryer Darren Henaghan	Interim / Acting Strategic Directors	Continuous	Continuous	Throughout
Helen Harris	Director of Legal and Democratic Services			
Councillor Steve Donnelly	Cabinet Member for Inclusive Economy	Continuous	Continuous	Throughout

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Councillor Peter Mason	Leader of the Council	Continuous	Continuous	Throughout
Emma Horner	Assistant Director of Technical Finance	Continuous	Continuous	Paragraph 5.9, Section 9, Appendix 9
Bridget Uku	Finance Manager – Pensions and Treasury	Continuous	Continuous	Section 9, Appendix 9
Russell Dyer	Assistant Director of Accountancy	Continuous	Continuous	Recommendation: 1.9,16,17,18 & 1.21(1e & 1f); Section 5,6,7,8; Appendices 2,3,5,6&7
Nick Rowe	Assistant Director of Local Tax & Accounts Receivable	Continuous	Continuous	Recommendations; Paragraphs 4.7 and 5.7 to 5.10
Joanna Pavlides	Assistant Director of Financial Assessments	Continuous	Continuous	Recommendations; Para- 5.7 to 5.8
Tamara Quinn	Assistant Director Schools, Planning & Resource	Continuous	Continuous	Recommendations; Section 6

### **Report History**

<b>Decision Type:</b> For Decision	<b>Urgency Item?</b> No
Authorised by Cabinet Date:	Report Deadline:                      Date Report Sent:
Member:	
Report no:	<b>Report authors and contact queries:</b> Shabana Kausar, Assistant Director Strategic Finance, 020 8825 7549 Baljinder Sangha, Finance Manager, 020 8825 5579 Katherine Ball, Finance Manager, 020 8825 5757