



Report for: **DECISION**

Item Number:

Contains Confidential or Exempt Information	No
Title	BUDGET STRATEGY 2019/20
Responsible Officers	Ian O'Donnell, Executive Director of Corporate Resources Ross Brown, Director of Finance
Authors	Maria Campagna, Head of Corporate Finance Shabana Kausar, Finance Manager - Strategic Planning
Portfolio	Councillor Bassam Mahfouz, Finance and Leisure
For Consideration By	Cabinet
Date to be considered	11 December 2018
Implementation Date if Not Called In	2 January 2019
Affected Wards	All
Area Committees	All
Keywords/Index	Budget strategy, process, savings

Purpose of Report

This budget strategy report seeks to fundamentally re-align council services with the priorities as set out in the Future Ealing programme. The council sets to do so by seeking to achieve better outcomes for our residents by redesigning and modernising services, engaging more residents and investing additionally in key priority areas such as genuinely affordable housing.

This strategy seeks to achieve all of these objectives and deliver a balanced budget against a backdrop of our government funding having been reduced by almost two-thirds (64%) and ever increasing pressures on social care costs.

The report updates Cabinet on the financial planning position over the four-year Medium Term Financial Strategy (MTFS) period from 2019/20, for the Council and progress against the savings targets agreed by Cabinet in July 2018.

It seeks approval from Cabinet for initial budget proposals relating 2019/20 onwards.

Sets out some of the current key issues faced by the Council in planning to deliver a balanced budget for 2019/20 and provide an update regarding the budget planning process for 2019/20.

1. Recommendations:

It is recommended that Cabinet:

- 1.1 Notes progress against the savings target agreed by Cabinet in July 2018 as part of the budget review process for 2019/20 and recognises that as far as possible the proposals contained in the report seek to improve outcomes for residents most in need.
- 1.2 Approves net savings of £14.867m of which £12.347m are to be delivered from the General Fund, submitted as part of the 2019/20 budget review process, for 2019/20 to 2022/23 (section 5 and Appendix 1).
- 1.3 Notes that particular savings proposals may have significant and important implications not set out in this report, for example in relation to the council's equality duties or other legal responsibilities, or consultation may be required because of the likely impact upon staff, service users or providers. Where this is the case those implications will be fully explored, equalities analysis assessments undertaken and, if necessary, a further report will be considered by Cabinet or the relevant officer or portfolio holder before a final decision is taken on implementation. Notes that where a decision is taken not to proceed with any savings proposal then alternative proposals will be brought forward for consideration by the Executive Director with responsibility for that proposal.
- 1.4 Authorises the Executive Director with responsibility for each proposal to:
 - 1.4.1 carry out all steps required in relation to each proposal, including carrying out any appropriate consultation,
 - 1.4.2 consider any consultation outcomes and any other detailed implications,
 - 1.4.3 complete and consider the implications of any equalities analysis assessment required,
 - 1.4.4 following completion of 1.4.1 and 1.4.2 above, and before taking the final decision on whether or not to proceed to implement each proposal, determine whether or not to amend any proposal prior to implementation as appropriate, and to make any amendment required
 - 1.4.5 where appropriate following 1.4.1, 1.4.2, 1.4.3. and 1.4.4 above, determine that implementation of a proposal should not happen.

- 1.5 Notes in relation to the authorisations given in 1.3 and 1.4 above that where appropriate any key decisions will be brought back to Cabinet.
- 1.6 Notes that officers will continue to work up detailed plans and budget proposals in accordance with the Administration's priorities and financial strategy objectives to meet the requirement to identify proposals that will close the 2019/20 budget gap of £24.484m (paragraph 5.4) by the end of 2018/19.
- 1.7 Notes the updated budget timetable set out in the report (section 7), including that further savings, growth and capital investment proposals will be reported to Cabinet in February 2019 for approval.
- 1.8 Notes the update regarding the London Business Rates Pool Pilot, and the anticipated extension beyond the initial year, 1 April 2018 to 31 March 2019 (section 5).
- 1.9 Authorise the Executive Director of Corporate Resources to consider and agree, in consultation with the Lead Member for Finance and Leisure and the Leader, to take on behalf of the council any actions necessary for the Council to continue to participate in the London Business Rates Pool.
- 1.10 Recommends Council approves the Flexible Use of Capital Receipts Strategy for 2018/19 in respect of the £0.670m transformational investment expenditure to be added to the 2018/19 capital programme (section 6).
- 1.11 Approves the addition of £0.670m of transformational investment expenditure (originally planned to be funded from revenue) to the capital programme in 2018/19 (section 6).

2. Reason for Decision and Options Considered

- 2.1. This is the latest update for Members on the 2019/20 Budget and Medium Term Financial Strategy (MTFS). It details savings and efficiencies that have been identified to date and funding updates since July, to enable Cabinet to develop and initiate budget proposals before the Council finalises the budget and sets the council tax levels in February 2019.
- 2.2. The financial strategy detailed in this report is the Council's response to the long-term and sustained reduction in Government funding. Revenue Support Grant (RSG) and other key funding streams such as Dedicated Schools Grant (DSG), Public Health Grant and New Homes Bonus (NHB) received from Central Government continue to reduce year-on-year in the lead up to permanent full retention of business rates (London is currently operating in a pilot pool), with the associated Fair Funding Review determining the final roll-in of key grants and a fundamental review of the baseline funding levels. This means that in future the

Council will be reliant on council tax, business rates and fees and charges to fund its expenditure.

2.3. Ealing continues to face the toughest financial challenges following the continued significant and sustained cuts. The government grant Ealing receives has been reduced by £143.7m over the decade, the equivalent of a 64% funding reduction and greater than the London and national average.

2.4. Table 1 below summarises the reduction in Ealing's core funding since 2010/11

Table 1: Cumulative Change in Core Funding 2010/11 to 2019/20 in Real Terms

	Change %	Change £m
Ealing	-64.3%	-143.7
London Boroughs	-62.5%	
England (total)	-63.3%	

2.5. At the same time as being subject to such significant funding cuts the demand for many services continues to increase. Social care demand and increasing complexity of care needs continue to drive growth requirements along with increasing housing and accommodation challenges. As an example, in Adults Social Services alone the Council is spending over £0.231m per day providing care for eligible residents.

2.6. The overarching objective is a priority-led budget over the medium-term which is balanced and realistic and supported by achievable savings plans.

2.7. As set out above, the Council is currently facing significant budget pressures including the continuing prospect of reducing revenue support from Central Government, described above, and increased demand for services. The delivery of prior year savings continues to be challenging which when combined with the above pressures results in a very difficult environment to deliver a balanced budget.

2.8. The proposals in this report will contribute to the savings agreed in the budget strategy. Many 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 whether or not to implement the proposal, including whether or not 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 department to find alternative savings to the equivalent value to replace the reduced amount.

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

3. Key Implications

3.1. Delivering the Administration's Priorities

3.1.1. The budget process is priority-led; aligning the allocation of resources with the priorities of the Administration. There are three key priorities for Ealing as set out in the Administration's manifesto for 2018/19 to 2021/22:

- Good, genuinely affordable homes
- Opportunities and living incomes
- A healthy and great place

3.1.2. The budget process for 2019/20 is being prepared in line with the Administration's principles for the budget process as follows;

3.1.3. The council must set a balanced budget, we must act responsibly with local people's money. We will focus the money the council spends on delivering our principles. They are;

- We must be responsible and balance our budget and to do this we must find savings from within our budgets. Whilst doing this we promise to prioritise the following principles;
- We will make every effort to protect elderly, disabled, children and young people who are the most vulnerable residents of the borough;
- We will make every effort to protect front line services by seeking to cut out waste, we will also seek to share services and share procurement;
- We will consult on difficult decisions;
- We will seek to mitigate the impact any savings will have on employment within the council and the borough by reducing the use of agency staff and contractors and offering voluntary redundancy to our staff; and
- We will seek to distribute any cuts as equally as possible so that no one group has to unfairly bear the burden.

3.2. 2019/20 Budget Process

3.2.1. The proposals to deliver a balanced budget have been driven through Future Ealing. A key driver to implement Future Ealing has been a programme of service outcome reviews, developed in partnership with an external delivery partner to identify options both to deliver priority outcomes in new ways and to identify savings options to present to Cabinet as part of the 2019/20 budget process.

3.2.2. By using these outcomes as the framework for the budget process the Council aims to prioritise and focus delivery, improve community outcomes and inform the difficult budget choices that the council will face.

3.2.3. The Future Ealing Outcomes are:

1. A growing economy creates jobs and opportunities for Ealing residents to reduce poverty and increase incomes.
2. Children and young people fulfil their potential.
3. Children and young people grow up safe from harm.
4. Residents are physically and mentally healthy, active and independent.
5. Ealing has an increasing supply of quality and affordable housing.
6. Crime is down and Ealing residents feel safe.
7. The borough has the smallest environmental footprint possible.
8. Ealing is a clean borough and a high-quality place where people want to live.
9. Ealing is a strong community that promotes diversity with inequality and discrimination reduced.

3.2.4. These outcomes have been consolidated into a number of bundles for forming the budget proposals. These are:

- All Age Disability.
- Housing & Homelessness.
- Independent & Healthy.
- Safe and Achieving Young People.
- Skills and Employment.
- Neighbourhoods.

3.2.5. Service outcome reviews are not the sole method by which the Council is looking to close the forecast 2019/20 budget gap, other significant programme of activities include;

- a) Modern Council programme which is focusing on areas such as Continued Improvement & Efficiency, Digital, Assets, etc;
- b) The Better Lives programme for adult social care transformation, which has multiple workstreams aimed at containing expenditure to realise spend reductions from 2018/19;
- c) The Future Working programme to redevelop the Council's headquarters delivering housing and a more efficient operating environment for staff; and
- d) The Brighter Futures programme which has succeeded in sustaining a reduction in the number of looked after children, delivering better outcomes for the children concerned.

- 3.2.6. However, the expectation is that the service outcome reviews will make a significant contribution to addressing the MTFS challenge and that the benefits arising from them will cover the entire MTFS period.
- 3.2.7. As outlined elsewhere in this report the process of identifying savings for 2019/20 and the MTFS period is well progressed but has not completed and further proposals will be brought forward to inform the final budget recommended to members in February. In particular the Council sees that its cross cutting Continuous Improvement and Efficiency workstream are a key enabler of the delivery of savings and outcomes. The Council has a wide programme of activity in train to deliver additional opportunities and the majority of additional savings or income proposals to close the identified budget gap will primarily be developed from within these themes.
- 3.2.8. As noted, wherever possible the Council has and will continue to seek to identify creative solutions that reduce spending but as far as possible limit any negative impact on community outcomes. However, the scale of the financial challenge that the Council faces means that consideration needs to be given as to whether it continues to be possible to deliver the full range of services the Council provides to current service standards, and the Council will have to prioritise the activity that it delivers within available resource in order to set a balanced budget going forward.

4. Approach to Budget Setting

4.1. July Budget Strategy Report

- 4.1.1. The Council's approach to setting the budget was set out in the Budget strategy report to Cabinet on 10 July 2018. It was recommended that savings proposals to cover the 2019/20 budget gap of £31.549m were identified during the budget cycle and were planned to be delivered in full during the 2019/20 financial year.
- 4.1.2. This target was set to enable the council to achieve a balanced budget position in 2019/20. As part of the budget process, savings proposals for future years have also been put forward following outcomes based and transformational reviews.
- 4.1.3. The sections of the report below, provides an update to the budget gap position for 2019/20 and beyond, and developments and risks potentially impacting the final position, and the updated budget strategy development timetable. Table 2 below shows the 2019/20 revised budget gap as at July 2018.

Table 2: Revised 2019/20 Budget Gap - July 2018 Cabinet

2019/20 Budget Gap	2019/20 £M
Budget Gap at February 2018	-31.773
Movements serving to decrease the budget gap:	
Grants (iBCF, Section 31, RSG/Top Up) <i>One off</i>	2.811
Extension of Business Rates Pilot <i>One off</i>	4.400
Collection Fund Surplus <i>One off</i>	4.000
Additional Continuous Improvement and Efficiency savings in 2019/20 <i>Recurring</i>	0.905
Transport Sustainability Strategy <i>Recurring</i>	0.500
Voluntary Sector Grants <i>Recurring</i>	0.608
Total of Decreases	13.224
Movements serving to increase the budget gap:	
Service Pressures and Funding for New Administration Commitments <i>Recurring</i>	-13.000
Total of Increases	-13.000
Indicative Budget Gap 2019/20 at July 2018	-31.549

5. December MTFs Update and 2019/20 Budget

5.1. Progress towards the savings target

5.1.1. Members should note that the net savings proposals are presented as incremental changes to the 2018/19 base budget. Each subsequent year's proposals are then shown as incremental changes to the preceding year.

5.1.2. The tables below show the potential impact of the net savings proposals.

Table 3: Summary of Saving Proposals

Savings	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total MTFS Savings £M	Future Years £M	Net Savings Total £M
Net Savings	-4.489	-4.132	-4.074	-1.650	-14.345	-0.522	-14.867
Funded from Grants	0.661	1.007	0.636	0.097	2.401	0.000	2.401
Funded from HRA	0.103	0.016	0.000	0.000	0.119	0.000	0.119
Net General Fund Savings	-3.725	-3.109	-3.438	-1.553	-11.825	-0.522	-12.347

Table 4: Net Saving Proposals Relating to General Fund

Service Outcome Review Areas / Workstreams	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total MTFS Savings £M	Future Years £M	Net Savings Total £M
All Age Disability	-0.205	-1.114	-0.522	-0.082	-1.923	-0.038	-1.961
Housing & Homelessness	0.167	0.024	-1.177	-0.578	-1.564	-0.313	-1.876
Independent & Healthy	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Safe and Achieving Young People	-0.460	-1.032	-1.360	-0.701	-3.553	-0.075	-3.628
Skills & Employment	0.067	-0.042	-0.180	-0.033	-0.188	-0.028	-0.216
Neighbourhoods	-1.489	-0.685	-0.200	-0.160	-2.533	-0.069	-2.602
Total Service Outcome Reviews	-1.920	-2.850	-3.438	-1.553	-9.761	-0.522	-10.283
Continuous Efficiency & Improvement	-1.805	-0.259	0.000	0.000	-2.064	0.000	-2.064
Grand Total	-3.725	-3.109	-3.438	-1.553	-11.825	-0.522	-12.347

5.1.3. The savings included in table 4 above show savings net of investment requirement delivered through the General Fund. Whilst table 5 below shows savings linked to bringing the spend in line with expected grant levels, such as Public Health Grant and Dedicated Schools Grant, and those funded from the Housing Revenue Account (HRA).

Table 5: Grant and HRA Funded Saving Proposals

Service Outcome Review Areas / Workstreams	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total MTFS Savings £M	Future Years £M	Net Savings Total £M
Funded from Dedicated Schools Grant							
All Age Disability	-0.582	-0.890	-0.533	-0.097	-2.102	0.000	-2.102
sub-total	-0.582	-0.890	-0.533	-0.097	-2.102	0.000	-2.102
Funded from Public Health Grant							
Independent & Healthy	-0.079	-0.087	-0.103	0.000	-0.269	0.000	-0.269

Continuous Efficiency & Improvement	0.000	-0.030	0.000	0.000	-0.030	0.030	-0.030
sub-total	-0.079	-0.117	-0.103	0.000	-0.299	0.000	-0.299
Funded from HRA							
Continuous Efficiency & Improvement	-0.103	-0.016	0.000	0.000	-0.119	0.000	-0.119
sub-total	-0.103	-0.016	0.000	0.000	-0.119	0.000	-0.119
Grand Total	-0.764	-1.023	-0.636	-0.097	-2.520	0.000	-2.520

5.1.4. The full final figures including remaining proposal details will be provided to Cabinet in February 2019 following the completion of an additional round of budget reviews and challenge, to ensure proposals are robust and deliverable.

5.2. Developments Impacting on the MTFS

5.2.1. The current MTFS, covering the four-year period 2018/19 to 2021/22, was approved on 20 February 2018. Although the MTFS is approved annually, it is reviewed on a continual basis as the Council's financial position is dynamic and can be affected by a number of uncertainties that can affect its financial position over the medium term.

5.2.2. Whilst the Council has accepted the four-year settlement from Central Government for core funding until 2019/20, there remains significant uncertainty regarding funding due to ongoing consultations in grant funding and Business Rates Retention; and the outcome of the ongoing Fair Funding Review or future transfers of functions.

5.2.3. Since July 2018 there have been a number of updates from the steering groups working on the Fair Funding Review and Business Rates Retention, which still expect there to be full implementation for 2020/21, but the next formal consultations on these matters have not yet been issued. These are expected in the next few months in the lead up to the summer 2019 Spending Review. The Local Government Financial Settlement Technical Consultation has been published along with findings of the Hudson Review of Governance and Processes relating to Local Government Finance. The key points to note are:

- The Council Tax referendum limits are anticipated to remain at 3% as per the 2018/19 Local Government Finance Settlement.
- Continuation of the Adult Social Care Precept for 2019/20, with a 2% limit for 2019/20, subject to remaining within the 6% limit from 2017/18 to 2019/20 (for Ealing the limit for 2019/20 will be 1%).
- Confirmation that New Homes Bonus will continue for 2019/20 with revisions to the formula which will reduce the amount councils will receive compared to the previous formula. New Homes Bonus as an incentive beyond 2019/20 will be reviewed (probably as part of the summer Spending Review).

- Confirmation of the local government draft settlement publication date of 6th December 2018 (in response to the Hudson Review's recommendation that the draft settlement be published annually around 5th December and be finalised by late January).

Autumn Budget Statement

5.2.4. The Chancellor made his Autumn Budget Statement on 29 October 2018. The headline announcements impacting Ealing were:

- £1.418m of new Adult Social Care funding in 2019/20 to alleviate winter pressures (which will be pooled into the improved Better Care Fund (iBCF)). This is additional to the £1.418m winter pressures funding for 2018/19 announced at the Conservative Party Conference.
- £2.422m of funding to support both adult and children's social care in 2019/20.
- £0.556m of new funding in 2018/19 for Ealing for pot holes immediately allocated based on DfT's need based formula..
- Confirmation of the immediate removal of the HRA borrowing cap.
- Announcements of additional capital funding for schools to invest in equipment and facilities and for the Disabled Facilities Grant (DFG) to provide home aids and adaptations for disabled children and adults on low incomes. No detail has been provided to date regarding the impact of these for Ealing.

Government Grants and Funding

5.2.5. The key MTFS impacting announcement in the Autumn Budget Statement was the Adult and Children's Social Care grant funding for 2019/20. Ealing's share of this (as detailed above) has been confirmed by MHCLG as being £3.840m.

5.2.6. Ealing's allocation of the Autumn Budget Statement funding for capital items (potholes, schools equipment and DFG) will be added to the capital programme in 2018/19. The HRA borrowing cap removal is taken into consideration in the HRA Budget 2019/20 report put forward for consideration by Cabinet at this meeting.

5.2.7. In advance of the New Homes Bonus formula confirmation in the 6 December Local Government Finance Settlement, an indicative assumption of an additional £0.600m of New Homes Bonus grant funding has been included in this MTFS update. Ealing's eligible new homes growth for the year to October 2018 (which is relevant for New Homes Bonus Grant) was 0.99%. This is a small reduction in growth compared to 2017 but is anticipated to remain above the baseline required to receive New Homes Bonus funding.

London Business Rates Pilot Pool

5.2.8. MHCLG announced its intention to extend Business Rates Retention Pilots into 2019/20 on a 75% retention basis and without a "no detriment" clause as opposed to the existing 100% pilot scheme which London is participating in 2018/19. London has expressed an interest in extending its participation in the scheme, and

MHCLG will confirm whether the London Pilot will be extended and the terms of the extension in the 6 December 2018 Local Government Finance Settlement.

- 5.2.9. As at July 2018 a value of £4.4m was assumed as additional one-off benefit for 2019/20 resulting from an extension to the London Business Rates Pilot Pool. This 2019/20 figure is reduced by £1.1m in this report to £3.3m to reflect enhanced scenario modelling which has been made available to London Pool members.
- 5.2.10. If the 2019/20 Pool Extension is confirmed on 6 December as part of the Provisional Local Government Finance Settlement, each authority will have 28 days to “opt out” if it does not wish to participate, in which case the pilot would not proceed. At the same time, boroughs, the City of London Corporation and the Mayor will all need to agree an updated statement for the operation of the pilot pool under any revised terms and confirm agreement of a revised Memorandum of Understanding with participating authorities.
- 5.2.11. Cabinet agreed to participation in the London Business Rates Pilot Pool for 2018/19 on 16 January 2018 and approved the Leader of the Council and the Executive Director of Corporate Resources to represent the authority in matters regarding the London Business Rates Pilot Pool. It also authorised the Executive Director of Corporate Resources to consider and agree to take on behalf of the council any other actions necessary for the council to participate in, implement and operate the Pool. It is recommended that this delegation is extended to future Pool years, with decisions taken in consultation with the Leader of the Council and Lead Member for Finance and Leisure.

Council Tax and Social Care Precept Options

- 5.2.12. The Medium Term Financial Strategy assumes council tax being held at its current level of £1,145.89 at Band D, which includes a 5% social care precept (levied in 2017/18 and 2018/19), although the Council Tax level is subject to an annual Council decision which may vary from this assumption.
- 5.2.13. Each year the Government determine the limit at which council tax increases would be excessive and therefore require a referendum. The proposed limit for 2019/20 (which is awaiting confirmation following the Settlement consultation) is 3% for core Council Tax and up to 6% for the Social Care Precept over the 3 years to 2019/20 (which means a 1% limit for Ealing in 2019/20).
- 5.2.14. The financial value of additional income to Ealing of each 1% increase in Council Tax is approximately £1.200m. The table below shows the weekly impact of each rise on the Band D value of Council Tax.

Table 6: Council Tax Precept Scenarios

Council Tax Precept Increase (inc SCP)	Ealing Band D Council Tax (£)	Weekly Band D Increase Impact
0.00%	1,145.89	0.0p
1.00%	1,157.35	21.9p
2.00%	1,168.81	43.8p
3.00%	1,180.27	65.8p
3.99%	1,191.61	87.4p

5.2.15. The current MTFS assumes that Ealing's Council Tax base will rise by 1% in 2019/20, primarily as a result of the addition of new homes. As at October 2018, the Council were reporting that this will be achieved. However, this position may change over the coming months. The revised Council Tax Support Scheme which is under consideration at this December 2018 Cabinet meeting, is not expected to change its overall impact on the taxbase and Council Tax income for 2019/20.

5.3. Net Service Pressures and Growth

5.3.1. The forecast general fund revenue outturn position for 2018/19 at the end of period 6 was £246.683m. This represents a forecast net overspend of £2.622m (1.07%) against a general fund revenue budget of £244.061m.

5.3.2. Services have been successful in delivering in year mitigations and continue to develop departmental mitigation plans to address the remaining forecast overspend. Progress of these plans will be reported through the bi-monthly budget monitoring process and will form part of the overall financial management strategy to help deliver a balanced position by year-end. The net position is summarised in table below.

Table 7: Summary of 2018/19 Revenue Budget Variances

General Fund Revenue Budget	Projected Variance Period 6 (September 2018) £M
Children's and Schools	2.017
Adults & Public Health	5.174
Regeneration & Housing	3.724
Environment & Customer Services	-0.683
Corporate Resources	0.000
Chief Executive	0.000
Housing Benefit Subsidy	0.000

Net Cost of Services Sub-total	10.232
Levies and Corporate Items	0.000
General Fund Sub-total	10.232
Use of Contingency	-1.500
Cross Cutting Management Actions	-6.110
General Fund Total	2.622

5.4. Revised Budget Gap 2019/20

Table 8: Revised 2019/20 Budget Gap - December 2018

2019/20 Budget Gap	2019/20 £M
Budget Gap at July 2018	-31.549
Savings (see appendix 1)	3.725
Reduction from Business Rates Retention (Estimate)	-1.100
Adults and Children's Social Care Grants	3.840
New Homes Bonus	0.600
Total of Net Movements	7.065
Indicative Budget Gap 2019/20 at December 2018	-24.484

5.5. Risks

5.5.1. The Council faces various financial risks, and these will be set out in more detail in the February Budget report. They include:

- Deliverability of existing savings against forecast timescales
- Demographic and demand led pressures
- Business rate income forecasts linked to the London Pool Arrangements
- Fluctuations in school places and cost of academisation
- Price inflation continues to rise
- Social care demand pressures on budgets
- Interest Rates – variations due to economic factors
- Changes in legislation affecting the scope of services and the cost of carrying them out

- Reduction in fees & charges income
- Contract risks e.g. contractor viability, non-delivery
- Levies charged upon the Council, such the Freedom Pass levy, whose cost is out of the Council's control.
- Legal Challenge over backdated pay relating to Sleep-ins (for Social Care residential settings).

5.6. Progress against existing savings

Progress on delivery of savings is monitored and reported to Corporate Board as part of the bi-monthly Finance Monitor. Progress reported at the end of period 6 confirms that £7.077m (43.67%) of the savings have already been achieved (green), with £0.843m (5.20%) being at risk (red).

Table 9: 2018/19 Savings Programme by Future Ealing Outcomes

Future Ealing Outcomes	Total	Red	Amber	Green	Blue	% Savings Achieved (Green)
	£M	£M	£M	£M	£M	
1. A growing economy creates jobs and opportunities for Ealing residents to increase incomes*	3.166	0.000	0.000	3.166	0.000	100.00%
2. Children and young people fulfil their potential	0.104	0.000	0.000	0.104	0.000	100.00%
3. Children and young people grow up safe from harm	0.274	0.000	0.115	0.159	0.000	58.03%
4. Residents are physically & mentally healthy, active and independent	0.326	0.263	0.000	0.063	0.000	19.33%
6. Crime is down and Ealing residents feel safe*	0.091	0.000	0.000	0.091	0.000	100.00%
7. The borough has the smallest environmental footprint*	1.666	0.000	0.807	0.859	0.000	51.56%
8. A clean and high quality place where people want to live	1.683	0.109	1.315	0.259	0.000	15.39%
Commerciality and Assets	2.067	0.250	1.270	0.547	0.000	26.46%

Continuous Improvement & Efficiency (CIE)*	6.827	0.221	4.777	1.829	0.000	26.79%
Total	16.204	0.843	8.284	7.077	0.000	43.67%

* previously approved MTFSS savings for 2018/19 (£0.715m) have been mapped against the appropriate Future Outcomes & Themes

Key:	Red	Savings at risk of not being achieved in-year and/or have not been replaced.
	Amber	Savings forecast to be achieved or are in progress to be delivered.
	Green	Savings achieved.
	Blue	Replacement savings for savings which were at risk of not being delivered (red savings) and will not be achieved.

5.7. Reserves

Table 10: Forecasted Reserve Balance as at 31 March 2019

Reserves	Closing Balance 31 March 2018	Net Movement	Projected Closing Balance 31 March 2019
	£M	£M	£M
Earmarked Reserves			
Corporate - Insurance Reserve	-5.268	0.000	-5.268
Parking Places Reserve Account	-7.024	0.357	-6.668
PFI Reserves	-24.338	0.377	-23.961
Sub-total Controllable Reserves - Ringfenced	-36.630	0.734	-35.897
Corporate - Business Risk Reserve	-0.317	0.214	-0.103
Corporate - Ealing Civic Improvement Fund	-4.237	1.928	-2.309
Corporate - Invest to Save Reserve	-6.657	4.393	-2.264
Corporate - Social Care Transformation Reserve	-0.551	0.200	-0.351
Corporate - Economic Volatility Reserve	-2.978	2.168	-0.810
Corporate - Others in total	-9.633	0.859	-8.774
Service - Others in total	-6.901	1.752	-5.148
Sub-total Controllable Reserves	-31.274	11.514	-19.759
Schools Balances	-14.788	0.000	-14.788
General Fund Balance	-15.472	0.000	-15.472
TOTAL GENERAL FUND RESERVES	-98.164	12.248	-85.916
Housing Revenue Account	-9.925	0.000	-9.925
TOTAL RESERVES	-108.089	12.248	-95.841

- 5.7.1. The projected reserve position above does not reflect commitments relating to future years i.e. capital programme, investments relating to savings and other known commitments.

- 5.7.2. The Council's reserves need to be considered in the context of the need to protect the Council's good financial standing and in the context of the overall risks that the Council faces on a continuing basis during a continuing period of economic uncertainty. It should also be recognised that reserves can only be used on a one-off basis and do not provide a solution to permanent funding shortfalls.
- 5.7.3. The Council is placing heavy reliance on its reserves currently to address the in-year overspends relating to Children's and Adults, whilst long term and sustainable solutions are found (though Brighter Futures and Better Lives programmes to contain spend within existing budgets). The continued use of reserves for such matters significantly reduces the financial resilience of the authority and curtails the ability to invest in future transformational change. As such, the use of reserves on the existing trajectory is not a sustainable position for the council to adopt.
- 5.7.4. The MTFs reflects the Council's need to ensure an adequate level of reserves, which will enable it to manage the risks associated with delivering the Strategy mainly around government funding reductions. The Executive Director of Corporate Resources will consider and report on the adequacy of the Council's reserves as required by statute in the Budget Report in February 2019.

6. Capital Investment for Transformation – Flexible Use of Capital Receipts Strategy

- 6.1. Under the updated guidance on flexible use of capital receipts issued under section 15 (1)(a) of the Local Government Act 2003 and effective from 1 April 2016 local authorities have the freedom to use capital receipts from the sale of their own assets (excluded Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.
- 6.2. To utilise this flexibility, a local authority must ensure it prepares a Flexible Use of Capital Receipts Strategy which is approved by Full Council either separately or part of the MTFs. The Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years. The Strategy once approved must be made available to the public and the MHCLG must be notified of the plan.
- 6.3. In 2018/19 Ealing has forecasted to spend up to £0.670m of eligible costs on resourcing the service outcome reviews which have or will support the delivery of the savings plans detailed in this report in section 5 to date. These costs if funded from revenue would utilise existing reserves which as shown in section 5.7 above are already being heavily relied upon. Ealing currently has sufficient eligible capital receipts in 2018/19 that could be used to fund this spend. Utilising general capital receipts for this purpose will mean that borrowing for the existing capital programme will need to increase by £0.670m and the associated borrowing costs

will have an impact on revenue. However, the borrowing costs will have a lower impact on revenue than the existing revenue contribution required and the addition of £0.670m to the capital programme will not take Ealing outside its existing prudential indicators regarding the affordability of its borrowing.

- 6.4. Cabinet are asked to note the Flexible Use of Capital Receipts Strategy detailed above and recommend Council approves it on 18 December 2018. An updated Strategy will be presented as part of the MTFs in February 2019.

7. Budget Process and Timetable

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

Table 11: Budget Timetable

Date	Activity
December 2018	<ul style="list-style-type: none"> • Provisional Local Government Finance Settlement • Cabinet report reflecting the updated MTFs forecasts and funding position, including 2019/20 savings proposals and update regarding the London Business Rates Pool Pilot • Cabinet report to set the HRA budget for 2019/20 • Council approves Initial Flexible Capital Receipt Strategy
January 2019	<ul style="list-style-type: none"> • Section 151 officer confirms continued participation in the London Business Rates Pool Pilot under delegated authority. • Section 151 officer agrees Tax Base and forecast Collection Fund surplus under delegated authority • Final Local Government Finance Settlement

Date	Activity
February 2019	<ul style="list-style-type: none"> • Consultation with Ealing Business Partnership • Budget proposals to Cabinet and Overview & Scrutiny Committee • Cabinet considers final budget proposals and makes recommendations to Full Council • Council approves Budget & Council Tax for 2019/20

8. Housing Revenue Account (HRA) Budget Strategy

- 8.1. The HRA Budget 2019/20 report will be considered at this December 2018 Cabinet meeting and contains proposals to deliver over 720 genuinely affordable units marking the start of the housing delivery programme using over £340m of funding.

9. Legal

- 9.1. The Council has a legal duty to set a balanced budget.

- 9.2. 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 or not to implement the proposals or to implement them in a revised format.

- 9.3. (Please also see section 15 below: Equalities, Human Rights and Community Cohesion)

9.4. In regard to the Council's employment law duties:

- 9.4.1. Directors, including the Chief Executive, have the delegated authority to delete vacant posts and create new posts within their service, within budgetary constraints. Executive 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 in order to deliver the budget proposals. Executive Directors must, when taking any decisions on staffing change proposals, follow the law and principles set out in this section and in section 15 below (Equalities, Human Rights and Community Cohesion).

- 9.4.2. 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).
- 9.4.3. 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.
- 9.4.4. 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.
- 9.4.5. Employees whose posts are deleted are contractually entitled to pay protection in certain circumstances.
- 9.4.6. Some savings proposals, even where those proposals do not have any staffing implications, 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 or not to implement them.

9.5. **In regard to the London Business Rates Pool:**

- 9.5.1. The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988. The authorities covered by the designation have to agree to the designation (para 34, sub para (2)). Local authorities have the power to enter into a Memorandum of Understanding to record the governing arrangements between them, under section 111 of the Local Government Act (LGA) 1972.
- 9.5.2. Given the complexity of the Pool, London Councils and London Government commissioned independent external legal advice to consider the options for appropriate governance arrangements at the Pool's inception. Following this legal advice, it was agreed that governance arrangements would be through a quasi-contractual approach involving a lead authority in consultation with participating local authorities and operating under a Memorandum of Understanding. Further legal advice will be obtained if any significant changes to governance arrangements are proposed. These are not anticipated for 2019/20.

9.6. **In regard to the Flexible Use of Capital Receipts:**

- 9.6.1. Under the updated guidance on flexible use of capital receipts issued under section 15 (1)(a) of the Local Government Act 2003, and effective from 1 April 2016 until 31 March 2022, local authorities have the freedom to use capital receipts from the sale of their own assets (excluded Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.
- 9.6.2. To utilise this flexibility, a local authority must ensure it prepares a Flexible Use of Capital Receipts Strategy which is approved by Full Council either separately or part of the MTFS. The Strategy once approved must be made available to the public and the MHCLG must be notified of the plan.
- 9.6.3. Cabinet are asked to note the Flexible Use of Capital Receipts Strategy detailed above and recommend Council approves it on 18 December 2018. An updated Strategy will be presented as part of the MTFS in February 2019.

10. Value for Money

- 10.1. 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 has required services to demonstrate this through budget proposals submissions.
- 10.2. The budget proposals include examples of delivering Value for Money such as:
 - Streamlining management structures
 - General efficiencies within services and departments
 - Review of charges, maximising income opportunities, but taking into account the legal restrictions upon the Council's ability to charge for its services
- 10.3. Where possible, savings proposals have been made that impact minimally on service delivery despite the challenges presented by the budget pressures outlined above.
- 10.4. The Council consistently monitors performance and finance in tandem, to ensure that value for money services are commissioned and provided and regularly adjusts its activities, where improved performance and better value for money can be achieved. The proposals contained within this report are set within this wider context of improving performance and achieving better value for money.

11. Sustainability Impact Assessment

- 11.1. Any sustainability impacts will be taken into account before final decisions are taken on whether or not to implement each proposal. All capital budget proposals are required to set out how the proposal contributes towards carbon emission reduction.

12. Risk Management

- 12.1. 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 2019/20 and beyond as set out in the annual review of the Medium Term Financial Strategy (MTFS) in this report.
- 12.2. As explained in the report, the most immediate risk to the budget process continues to be non-delivery of the approved savings and placement pressures in Adults' and Children's Social Care, which are mitigated by spend controls, transformational cost reduction programmes and close monitoring by Corporate Board and by the Leader and the Portfolio Holders for Finance and Leisure, Health & Adult Services and Schools & Children's Services.
- 12.3. The Council's Medium Term Financial Strategy 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 Corporate Board and the Portfolio Holder and updates on the financial environment the Council is operating in are provided in Budget Strategy reports to Cabinet.

13. Community Safety

- 13.1. Not applicable.

14. Links to Strategic Objectives

- 14.1. The Council's medium-term financial strategy, budgets and capital programme are designed to deliver the Council's strategic priorities. The budget set for 2019/20 will address the delivery of national and local priorities

15. Equalities, Human Rights and Community Cohesion

- 15.1. In regard to equalities and human rights considerations S 149 Equality Act 2010 requires public authorities to have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 15.2. The protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.
- 15.3. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 15.4. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 15.5. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) tackle prejudice; and
 - (b) promote understanding
- 15.6. Compliance with the duties in S149 may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited under the Act. The Council's equality analysis assessment toolkit supports this approach.
- 15.7. The Human Rights Act 1998 makes it unlawful for public authorities to act in a way that is incompatible with a Convention right. Anyone who feels that a public authority has acted incompatibly with their Convention rights can raise this before an appropriate UK court or tribunal.
- 15.8. The Human Rights Act protects a person from discrimination in the enjoyment of those human rights protected by the European Convention of Human Rights. These rights include the absolute right not to be subject to inhuman or degrading

treatment, the right to respect for their private and family life, their home and their correspondence, which may only be restricted only in specified circumstances and the right to hold a broad range of views, beliefs and thoughts, and to follow a religious faith. The right to manifest those beliefs may be limited only in specified circumstances.

- 15.9. Discrimination occurs when a person is treated less favourably than another person in a similar situation and this treatment cannot be objectively and reasonably justified.
- 15.10. The Human Rights Act prohibits discrimination on a wide range of grounds including 'sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status'.
- 15.11. The case law relating to this right has shown that the term 'other status' includes, among other things, sexual orientation, illegitimacy, marital status, trade union membership, trans-sexualism and imprisonment. It can also be used to challenge discrimination on the basis of age or disability.
- 15.12. Budget proposals have been developed in line with the principles set out above, including the need to protect elderly, disabled, children and young people who are the most vulnerable residents of the borough.
- 15.13. Implementation of each of the proposals will follow the Councils processes, policies and local terms and conditions to ensure fair selection, assimilation and recruitment and to ensure on-going monitoring of diversity.

16. Equalities Analysis Assessments (EAAs)

- 16.1. Where proposals will have equalities implications an EAA is required. If an EAA is required, it will be prepared and taken into account prior to the final decision on whether or not to proceed with the proposal being taken.

17. In Regard to the Council's Public Law Duties

- 17.1. When making decisions the Council must act reasonably and rationally. It must take into account 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 or not to implement the proposal or to amend the proposal prior to implementation.

18. Staffing / Workforce and Accommodation Implications

- 18.1. Some of the savings proposals have potential staffing implications. Any such proposals are subject to consultation. Detailed proposals affecting staff will be developed in advance of consultation with staff affected by any proposals commencing. However, those proposals may not go ahead or may go ahead in a revised form as an outcome of consultation.

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 taken into account before a final decision is taken on whether or not to proceed with the proposal in question, either as presently proposed or in an amended form.

21. Timetable for Implementation

- 21.1. The budget timetable is set out in this report at section 7.

22. Appendices

Appendix 1 – Savings proposals from 2019/20 budget review process for Cabinet approval.

23. Background Information

- 23.1 Cabinet reports:

- London Business Rates Pilot Pool 2018/19 – January 2018
- Budget Strategy 2018/19 - February 2018
- Budget Outturn 2017/18 - June 2018
- Budgets for Voluntary & Community Sector Services 2019-23 (Grant Funding)

- June 2018
- Transport Sustainability Strategy - June 2018
- New Priorities for the Administration - June 2018
- Digital Transformation Programme - Business Case - July 2018
- Future Ealing: Property Assets and Neighbourhood Offer Programme - July 2018
- Continuous Improvement and Efficiency: Wave 2 Management and Cross Cutting Changes - July 2018
- Budget Strategy and Medium Term Financial Strategy (MTFS) 2019/20 – 2021/22 – July 2018
- Delivery Strategy for 2,500 genuinely affordable homes – October 2018
- Parking Services Procurement – October 2018
- Budget Update 2018/19 - November 2018
- HRA Budget 2019/20 – December 2018

23.2 Link to Flexible Use of Capital Receipts Guidance:
<https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts>

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Ian O'Donnell	Executive Director Corporate Resources	28/11/18	29/11/18	Throughout
Ross Brown	Director of Finance	28/11/18	28/11/18	Throughout
Paul Najsarek	Chief Executive	28/11/18	29/11/18	Throughout
Judith Finlay Keith Townsend Tony Clements	Executive Directors	28/11/18	29/11/18	
Helen Harris	Director of Legal and Democratic Services	28/11/18	30/11/18	Throughout
Councillor Bassam Mahfouz	Cabinet Member for Finance and Leisure	28/11/18	29/11/18	Throughout
Councillor Julian Bell	Leader of the Council	28/11/18	29/11/18	

Report History

Decision type: For decision	Urgency item? No
Authorised by Cabinet member:	Date: Report deadline: Date report sent:
Report no.:	Report authors and contacts for queries: Maria Campagna, Head of Corporate Finance, 0208 825 9727 Shabana Kausar, Finance Manager - Strategic Planning, 020 8825 5550