



Report for: **DECISION**

Item Number:

Contains Confidential or Exempt Information	No
Title	BUDGET STRATEGY 2019/20
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Area Committees	All
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Purpose of Report

This budget strategy report looks to conclude the process to fundamentally re-align council resources with the priorities as set out in the Future Ealing programme. The council aims 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 these objectives and deliver a balanced budget against a backdrop of government funding having been reduced by almost two-thirds (64%) and ever increasing pressures on social care costs.

The report seeks Cabinet approval of the Revenue Budget proposals and the Capital Programme for recommendation to Full Council at the statutory budget setting meeting on

26 February 2019. The report provides a summary of previous savings and growth proposals agreed at Cabinet meetings on 10 July 2018 and 11 December 2018 and presents new savings proposals for approval. It presents the refreshed Medium Term Financial Strategy for approval and provides an update on the economic climate and funding position following the 2019/20 local government finance settlement which set out core funding figures. It also seeks approval for the business rates discount for 2019/20.

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 in order to comply with statutory requirements.

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1. Recommendations:

It is recommended that Cabinet:

Revenue Budget 2019/20

- 1.1 Notes the latest Medium Term Financial Strategy MTFS for 2019/20 to 2022/23 (paragraph 4.1 and Appendix 1);
- 1.2 Approves £4.381m of additional savings, submitted as part of the 2019/20 budget review process, for 2019/22 to 2022/23 (paragraph 5.1.5 and Appendix 3b);
- 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. 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 Chief Executive or 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 to 1.4.3 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.
 - 1.4.6 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 Chief Executive or Executive Director with responsibility for that proposal.
- 1.5 Notes in relation to the authorisations given above in 1.3 and 1.4, that where appropriate, any key decisions will be brought back to Cabinet.
- 1.6 Approves £7.461m of growth items for 2019/20 to 2022/23 (paragraph 5.1.3);

- 1.7 Considers the officer recommendation of an increase of 1% for the Social Care Precept and an increase of 2.99% for Council Tax in 2019/20 (paragraph 5.6.6) for recommendation to Full Council;
- 1.8 Notes that the council is in a position to agree a balanced budget for 2019/20 and that any remaining budget gap following the Council Tax decision by Full Council on 26 February 2019 will be closed using reserves.

Business Rates Discount

- 1.9 Approves that, pursuant to the Council's powers under Section 47 of the Local Government Finance Act 1988, for 2019/20, the Council will offer 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 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 (paragraph 5.7.10);
- 1.10 Authorises the Section 151 Officer to make determinations in relation to applications for such discounts;

Fees and Charges 2019/20

- 1.11 Approves the schedule of fees and charges for 2019/20 (paragraph 5.2.4 and Appendix 10);

Capital Programme 2019/20 – 2022/23

- 1.12 Notes the new General Fund capital programme additions totalling £51.420m to be approved by Full Council on 26 February 2019 (paragraph 5.11 and Appendix 6);
- 1.13 Notes the capital programme additions relating to the Housing Revenue Account HRA (paragraph 5.11) that were considered as part of the HRA Business Plan by Cabinet on 11 December 2018.

- 1.14 **It is recommended that Cabinet endorses and approves the following recommendations and recommends to Full Council that, on 26 February 2019, it:**

1.14.1 Revenue Budget 2019/20 and Medium Term Financial Strategy 2019/20 to 2022/23

- a) Considers and approves the Revenue Budget for 2019/20 as summarised in Appendix 2;
- b) Considers the advice of the Executive Director of Corporate Resources on the levels of reserves and robustness of estimates in setting the budget as required by Section 25 of the Local Government Act 2003 (paragraphs 5.15 and 5.16);

- c) Notes the financial risks and pressures set out in the report (paragraphs 4.2.15 and 5.13);
- d) Approves the Parking Account 2019/20 (paragraph 5.9 and Appendix 4);
- e) Approves the draft Schools budget of £326.656m and agrees that any changes to the budget reasonably required as a result of the final 2019/20 DSG settlement are delegated for decision to the Executive Director of Children, Adults & Public Health following consultation with the Section 151 Officer paragraph 5.10;
- f) Notes that the General Fund balance is scheduled to remain the same at £15.473m for 2019/20 and notes the forecast levels of earmarked reserves (paragraph 5.15 and Appendix 5);

1.14.2 **Capital Programme 2019/20 – 2022/23**

- a) Approves the new General Fund capital programme additions totalling £51.420m (paragraph 5.11 and Appendix 6);
- b) Approves the revised Capital Programme of £845.680m (before additions), as set out in paragraph 5.11.6 and Appendix 7;

1.14.3 **Capital Strategy, Treasury Management and Pension Fund**

- a) Approves the Treasury Management Strategy including the associated Prudential Indicators and Annual Investment Strategy (paragraph 5.12 and Appendix 9);
- b) Approves the Treasury Management Policy Statement (Appendix 9);
- c) Notes the Director of Finance 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 Pension Fund cash where held in house and West London Waste Authority cash is also managed in accordance with the Treasury Management Strategy (Appendix 9)
- f) Approves the Capital Strategy (Appendix 8);

1.14.4 **Council Tax and Business Rates**

- a) Notes the Greater London Authority GLA Band D precept of £320.51 for 2019/20 (paragraph 5.5);
- b) Notes that the Executive Director of Corporate Resources calculated under delegated authority on 31 January 2019 the amount of 115,489.90 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 2018/19; 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 5.6.1);
- c) Notes the forecast Collection Fund position for 2018/19 (paragraph 5.6.3);
- d) Notes the council's share of the business rates income forecast for 2019/20, as approved by the Executive Director for Corporate Resources

(paragraph 5.7.6).

- e) Approves charge of a 100% premium (increased from 50% extra) on top of standard tax council for properties which have been empty for more than 2 years with effect from 1st April 2019 (paragraph 5.6.10).

2. Reason for Decision and Options Considered

- 2.1. This is the final update report to Members on the 2019/20 Budget and Medium Term Financial Strategy (MTFS). It finalises the position since the last budget strategy report to Cabinet on 11 December 2018 and it brings together a number of significant issues for Cabinet decision. The main purpose is to enable Cabinet to consider further budget proposals and make recommendations to Full Council for when it finalises the budget and sets the council tax on 26 February 2019.

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 the council's Future Ealing programme. This is principally 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 programmes of activities include;

- a) The Modern Council programme which is focusing on areas such as Continued Improvement & Efficiency, Digital, Assets,;
- 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. As part of the budget process, service outcome reviews have made significant contribution to addressing the MTFS challenge and that the benefits arising from them will cover the entire MTFS period. The table below provides a summary of the total savings.

Table 1: 2019/20 – 2022/23 Gross Saving

Gross Savings	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total MTFS Savings £M
Savings approved at December 2018 Cabinet	(4.489)	(4.132)	(4.074)	(1.650)	(14.345)
Savings being considered at February 2019 Cabinet	(4.893)	(0.033)	0.296	0.248	(4.382)
Sub-total: Future Ealing Budget Savings	(9.382)	(4.165)	(3.778)	(1.402)	(18.727)
Savings from other programme of activities approved by Cabinet	(2.626)	(0.865)	(0.136)	(0.136)	(3.763)
Total Gross Savings	(12.008)	(5.030)	(3.914)	(1.538)	(22.490)

4. Annual Review of Medium Term Financial Strategy MTFS

4.1. Financial Outlook and Context

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 central government funding decisions, analysis of advice and information from various relevant organisations and the impacts of the national and local economic context. It provides a robust financial framework to support achievement of the council's overall objectives and delivery of services.

4.1.2. The four-year settlement from central government for core funding accepted by the council ends in 2019/20. The Local Government Finance Settlement finalised on 29 January 2019 confirmed funding only up to 2019/20. This alongside the ongoing consultations in grant funding, Business Rates Retention, and the Fair

Funding Review mean there is considerable uncertainty regarding funding over the medium term.

4.1.3. By necessity the strategy is fluid and moves to reflect such matters as the changing circumstances faced by the council, updated priorities and ambitions, the latest financial situation and external factors such as national settlements. Members are asked to consider and agree the updated MTFs for 2019/20 and beyond as set out in Appendix 1, noting that the council, in common with all local authorities, continues to face a challenging financial outlook. Financial planning over the medium term will help meet the challenges in a structured way, ensuring resources are directed to priority areas.

4.1.4. Table 2 below summarises the MTFs forecast (including budget gap) for the period 2019/20 to 2022/23.

Table 2: Medium Term Financial Strategy Summary

Budget Totals	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Total Funding	(244.063)	(247.708)	(241.495)	(242.885)	(244.289)
Net Budget Requirement	253.413	247.708	260.770	273.956	285.546
Transfer to/from Reserves	(9.350)	0.000	0.000	0.000	0.000
Net Budget Requirement after Reserves	244.063	247.708	260.770	273.956	285.546
Forecasted Budget Gap	0.000	0.000	19.275	31.071	41.257
Forecasted Budget Gap (incremental)	0.000	0.000	19.275	11.796	10.186

4.2. Budget Planning Assumptions

Government Grants and Funding

4.2.1 The final Local Government Finance Settlement was issued on 29 January 2019. It contained no significant changes to the provisional settlement announced in December 2018. The Local Government Finance Settlement included the following key announcements:

- The Council Tax referendum limit remains 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%).
- No change to how the award of New Homes Bonus is made. It continues to be paid on the basis of 4 years award with growth above a 0.4% threshold rewarded.
- No council will be subject to “Negative RSG” at cost of foregone business rates.

- Confirmation of the continuation of the London Business Rates Pool pilot in 2019/20 at 75% retention (a change to the 2018/19 100% pilot), alongside the 5 existing pilots to continue in devolution deal areas.
- The announced of Government plans to consider interventions in the rules around borrowing for commercial properties.
- Confirmation of the 2019/20 Public Health Grant allocations (unchanged from previous indicative figures).
- Additional Adult and Children’s Social Care grant funding for 2019/20 of which Ealing’s share has been confirmed by MHCLG as being £3.840m.
- The removal of the HRA borrowing cap (which was taken into consideration in the HRA Budget 2019/20 report considered by Cabinet in December 2018)

4.2.2 Further consultations relating to 75% Business Rates Retention and the Fair Funding review were published in December 2018. These provide further information regarding the direction of travel in respect of the establishment of new baseline funding levels through a fundamental reassessment of authorities’ relative needs and resources. London Councils is considering a London-wide response to the consultations in February 2019 to raise concerns regarding proposed resource allocation methodology changes.

4.2.3 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 75% 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.

Table 3: 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%	

4.2.4 Ealing continues to face the toughest financial challenges following the continued significant and sustained cuts. Tables 3 and 4 summarise the reduction in Ealing’s core funding since 2010/11 and the change in Ealing’s Settlement Funding Allocation (baseline funding) 2018/19 to 2019/20.

Table 4: Ealing Settlement Funding Allocation 2019/20

	2018/19 - Adjusted Final	2019/20 - Settlement
	£M	£M
Retained Business Rates	100.336	93.036
Funding Reduction		(7.300)
Percentage Reduction		-7.28%

4.2.5 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 continues to spend over £0.227m per day (equivalent to £7.037m per month) providing care for eligible residents.

London Business Rates Pilot Pool

4.2.6 MHCLG and all London authorities have agreed to extend the London Business Rates Pool Pilot to 2019/20 on a 75% retention basis and without a “no detriment” clause as opposed to the existing 100% pilot (“no detriment”) scheme which London is participating in 2018/19.

4.2.7 Cabinet agreed to Ealing’s continuing participation in the London Business Rates Pilot Pool for 2019/20 on 11 December 2018 and authorised the Executive Director of Corporate Resources to consider and agree, following consultation with the Lead member for Finance and Leisure and the Leader of the Council, to take on behalf of the council any actions necessary for the authority to continue to participate in the London Business Rates Pool.

4.2.8 The MTFSS assumes that there will be a one-off benefit to Ealing resulting from the extension to the London Business Rates Pilot Pool to 2019/20 of £3.3m. This is based on scenario modelling which has been made available to London Pool members prior to all authorities setting their business rates income forecasts for 2019/20. An enhanced forecast is expected in February 2019. The benefit for 2019/20 is lower than the one-off benefit in 2018/19 due to the reduction in the level of retention.

Council Tax and Social Care Precept Options

4.2.9 The Medium Term Financial Strategy assumes council tax will be raised by the officer recommended maximum 3.99% (including a 1% rise in the social care precept) in 2019/20. This will increase the level of Ealing’s council tax from £1,145.89 to £1,191.61 at Band D (including 6% total social care precept levied 2017/18 to 2019/20). No council tax increases are assumed in future years. However, it should be noted that the Council Tax level is subject to an annual Council decision which may vary from this assumption.

- 4.2.10 Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2019/20 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.
- 4.2.11 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 5: Council Tax Scenario's

Council Tax Increase (including Social Care)	Ealing Band D Council Tax (£)	Weekly Band D Increase Impact
0.00%	1,145.89	
1.00%	1,157.35	21.9p
2.00%	1,168.80	43.8p
2.99%	1,180.15	65.5p
3.00%	1,180.26	65.7p
3.99%	1,191.61	87.4p

New Homes Bonus

- 4.2.12 The final finance settlement confirmed the Council's final allocation of NHB for 2019/20 to be £4.123m. This has been taken into account when preparing the budget proposals in this report.

Table 6: New Homes Bonus Grant

	2018/19 Budget £M	2019/20 Budget £M	2020/21 Forecast £M	2021/22 Forecast £M	2022/23 Forecast £M
New Homes Bonus	4.586	4.123	4.401	4.121	4.121

Improved Better Care Fund (iBCF)

- 4.2.13 The final finance settlement confirmed the Council's final allocation of iBCF for 2019/20 to be £12.307m. This has been taken into account when preparing the budget proposals in this report. The £12.307m includes additional adult social care funding of £1.418m, as announced in the Autumn Budget 2018.
- 4.2.14 Local authorities are able to spend the grant as soon as plans have been locally agreed with clinical commissioning groups. Ealing has agreed a local plan and the funding will be used to support the delivery of adult social care placements.

Table 7: Improved Better Care Fund Grant

	2018/19 Actual £M	2019/20 Budget £M*	2020/21 Forecast £M	2021/22 Forecast £M	2022/23 Forecast £M
Improved Better Care Fund	8.924	12.307	10.889	10.889	10.889

* including £1.4m of Winter Pressures as announced in Autumn Budget 2018

Other Budget Factors

4.2.15 Other pressures that are highly likely to impact on the budget include:

- Delivery of agreed savings – the budget for 2019/20 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 – In December 2017 a 2% pay increase was agreed for 2018/19 and 2019/20. For 2019/20 this is estimated to be c£2.4m leaving a small central pot to allocate for any price inflation
- Pay inflation and associated on-costs – resulting in additional pressures on school budgets.
- Contract risks e.g. contractor viability, non-delivery
- Demographic and demand-led pressures in Children and Adults – The Children’s and Adults’ budgets are under great pressure due to the demand led nature of these services. One of the main risks in the budget relates to demographic change:
 - Adults – Residents are living longer and many have increasingly complex care needs. 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.
 - Children’s – There are ongoing pressures in respect of expensive care placements due to the increased complexities of children in care. There also remain pressures in respect of SEN transport relating to the increased EHCP outcomes that results in more children requiring support.
 - Homelessness – There is a risk that levels of homelessness increase in the borough with the subsequent requirement for the council to support individuals in Temporary Accommodation.
 - Income – levels of council income are impacted by individual’s responses to the economic climate, as people may cut back on areas of discretionary spending. This could impact on levels of planning, property and car park income. In addition leisure services income could reduce.
 - Schools expansion – pressures caused by steeply increasing pupil numbers.
 - School Deficits – 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

- Levies paid to external bodies - payments outside the council's control that need to be met from its budget requirement
- Pension Fund – 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. The latest valuation was as at 31 March 2016 and has been reflected in the General Fund budget from 2019/20. The next review is due at 31 March 2019 and will impact the General Fund budget in 2020/21.
- Business Rates Revaluation – in April 2017 the latest business rates revaluation came into effect. Whilst council premises were impacted by the rises in business rates in the borough, with a 12.5% rise in rateable values on average, there was also remains a risk of an overall reduction in the council's income from business rates due to the volatility of appeals.
- Legal Challenge over backdated pay relating to sleep-ins for social care residential settings.
- Brexit – the financial impact of Brexit is not yet fully known but impacts driven through supply chain can have an impact on council finances i.e. price increases, impact on operational delivery of capital schemes, impact on providers delivering services on the council's behalf. On 29 January 2019 the government announced £56.5m of funding will be provided to help councils carry out their preparations for exit from the EU and undertake appropriate contingency planning. Ealing's share is expected to be c.£0.100m in 2019/20.
- Fair Funding Review and Business Rates Retention – central government is fundamentally reviewing funding baselines and allocation formulae for all local authorities for implementation in April 2020. This means there is significant uncertainty regarding Ealing's funding baselines for future years.

4.3 Approach to Budget Setting

July 2018 Budget Strategy Report

- 4.3.1 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.
- 4.3.2 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.
- 4.3.3 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 8 below shows the 2019/20 revised budget gap as at July 2018.

Table 8: 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

December 2018 Budget Strategy Report

- 4.3.4 Progress towards addressing the savings target for 2019/20 was reported in the Budget Strategy report to Cabinet in December 2018, reducing the 2019/20 budget gap to £24.484m mainly through a combination of savings and additional grant funding.

5 Budget 2019/20

5.1 General Fund

- 5.1.1 The council's General Fund Revenue Budget and Capital Programme proposals are the outcome of work that has been underway since April 2018 through the budget and service review process.

Assumptions for 2019/20 Budgets

- 5.1.2 Budgets reflecting cost increases identified between 2018/19 and 2019/20 have been prepared in consultation with the Director of Finance, service budget leads and other staff within the council's departments. For 2019/20 there has been no automatic inflationary increase of budgets. The assumptions are set out below:
- Pay – The National Employers, who negotiate pay on behalf of 350 local authorities, have offered a pay award of 2% for the period April 2018 to March 2019, with a further 2% taking effect from April 2019 for employees paid more than £19,430. This will be met from the inflation budget. Those workers on lower salaries would receive higher increases. The offer also includes a new

national pay spine, which would take effect on 1 April 2019. National Employers report that overall this will add another 5.6% to the national pay bill over the two years covered by the offer.

- All other budgets – 0% increase covers supplies and services, transport related costs and other administrative budgets, with the exception of budgets that are already subject to contractual increases, where the appropriate inflation will have to be applied.
- Income – a review has been undertaken of all fees and charges and a range of 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 (with the exception of those that are set under statute or subsidised).

General Fund Budget Growth Proposals

5.1.3 Service budget growth proposals have been considered as part of the Future Ealing budget review process. As part of the Future Ealing budget process growth proposals amounting to £7.461m for 2019/20 to 2022/23 are included in the budget proposal to be approved by Cabinet. Of the £7.461m growth requests, £4.992m of will be funded from the General Fund. Details are provided at Appendix 3a.

5.1.4 Adult Social Care precept growth will be used to fund Adult Services inflationary pressures and service growth items. The additional funding for Adults and Children's social care (including winter pressures) has been used to replace the unsustainable use of reserves to fund their position and the significant growth allocated to those budgets in previous years. This has enabled Ealing to set a balanced budget without the use of a planned transfer from reserves.

New General Fund Savings Proposals

5.1.5 Officers have continued to work on proposals to close the gap across a range of Future Ealing Outcomes and specific service programmes. Details of further savings proposals that are now presented for approval are set out in Tables 9 - 12 and Appendix 3b.

Table 9: Saving Submissions for February 2019 Approval

Additional Savings Proposals (Appendix 3b)	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 General Fund	(4.298)	0.907	0.461	0.369	(2.561)	(0.039)	(2.600)
Funded from Grants	(0.588)	0.000	0.000	0.000	(0.588)	0.000	(0.588)
Funded from HRA	0.000	(0.025)	0.000	0.000	(0.025)	0.000	(0.025)
Funding for Digital Programme	(0.007)	(0.915)	(0.165)	(0.121)	(1.207)	0.000	(1.207)
Total Proposed Savings	(4.893)	(0.033)	0.296	0.248	(4.381)	(0.039)	(4.420)

Table 10: 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	(0.134)	(0.090)	(0.022)	(0.022)	(0.268)	(0.022)	(0.290)
Independent & Healthy	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Safe and Achieving Young People	(0.075)	(0.126)	(0.010)	(0.010)	(0.222)	(0.010)	(0.232)
Neighbourhoods	0.000	(0.110)	(0.007)	(0.007)	(0.123)	(0.007)	(0.130)
Total Service Outcome Reviews	(0.209)	(0.326)	(0.039)	(0.039)	(0.613)	(0.039)	(0.652)
Continuous Efficiency & Improvement	(4.089)	1.233	0.500	0.408	(1.948)	0.000	(1.948)
Total	(4.298)	0.907	0.461	0.369	(2.561)	(0.039)	(2.600)

5.1.6 The savings included in table 10 show savings net of investment requirement delivered through the General Fund. Whilst table 11 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 11: 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							
Continuous Efficiency & Improvement	(0.025)	0.000	0.000	0.000	(0.025)	0.000	(0.025)
sub-total	(0.025)	0.000	0.000	0.000	(0.025)	0.000	(0.025)
Funded from Public Health Grant							
Independent & Healthy	(0.563)	0.000	0.000	0.000	(0.563)	0.000	(0.563)
sub-total	(0.563)	0.000	0.000	0.000	(0.563)	0.000	(0.563)
Funded from HRA							
Continuous Efficiency & Improvement	0.000	(0.025)	0.000	0.000	(0.025)	0.000	(0.025)
sub-total	0.000	(0.025)	0.000	0.000	(0.025)	0.000	(0.025)
Total	(0.588)	(0.025)	0.000	0.000	(0.613)	0.000	(0.613)

- 5.1.7 In addition to the savings addressing the MTFS budget gap, proposals have also been identified to partly fund the revenue cost of financing the digital programme investment. There is an expectation for the programme to identify further savings that will initially go towards funding the financing costs. Table 12 shows savings linked to the digital programme.

Table 12: Savings relating to the Digital Programme

Savings Relating to Digital Programme	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 General Fund	0.074	(0.801)	(0.146)	(0.025)	(0.897)	0.000	(0.897)
Funded from Grants	0.000	0.000	(0.019)	(0.096)	(0.115)	0.000	(0.115)
Funded from HRA	(0.081)	(0.114)	0.000	0.000	(0.195)	0.000	(0.195)
Total	(0.007)	(0.915)	(0.165)	(0.121)	(1.207)	0.000	(1.207)

5.2 Fees and Charges

- 5.2.1 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.
- 5.2.2 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. In relation to any fees and charges that have not already been decided under officer delegated powers, any EAAs required will be published as soon as possible and prior to the date of cabinet

5.2.3 All fees and charges have been subject to review as part of the 2019/20 budget process. A variation of changes are being recommended for a range of fees and charges in response to cost inflation pressures on the underlying service delivery budgets. Further reviews are planned during 2019/20 to assess the extent of full cost recovery.

5.2.4 The proposed fees and charges schedule for 2019/20 is published on the council's website.
https://www.ealing.gov.uk/downloads/download/3478/fees_and_charges
 and is attached as Appendix 10.

5.3 Specific Grants

5.3.1 In 2018/19, Ealing received approximately £40.326m in specific government grants excluding DSG, housing benefit payments and monies for Public Health responsibilities.

5.3.2 At this point, not all government grants have been announced for 2019/20. Ealing is therefore awaiting notification of what some grants will be in 2019/20. Grant funding for Public Health has continued to reduce with a further cut of £0.642m in 2019/20.

5.4 Levies

5.4.1 Levies in 2019/20 make up 12.02% of the council's net budget of £246.405m. Set out in Table 13 are details of the levies which, although outside of the council's direct control, need to be taken into account 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.

Table 13: Levies

Authority	2018/19	2019/20	Variance		Provisional/ Final
	£M	£M	£M	%	
Concessionary Fares	15.627	15.506	0.121	-0.77%	Final
West London Waste Authority	12.414	12.683	0.269	2.17%	Provisional
London Pensions Fund Authority	0.428	0.428	0.000	0.00%	Provisional
Coroners Service	0.328	0.441	0.113	34.45%	Provisional
Lee Valley Regional Park Authority	0.299	0.299	0.000	0.00%	Provisional
Environment Agency	0.260	0.265	0.005	1.92%	Provisional
Total	29.356	29.622	0.266	0.91%	

5.5 Greater London Authority Precept

- 5.5.6 The Mayor of London issued a consultation document in December 2018 proposing an increase in the council tax precept of £26.28 from the 2018/19 level of £294.23 per Band D council taxpayer, rising to £320.51 in 2019/20. The precept represents c.20% of the overall headline council tax bill. At the time of writing the Greater London Authority GLA's final draft budget was scheduled to be published by February 2019 and will be considered by the London Assembly. 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 26 February. Otherwise, the amounts in this report are final.
- 5.5.7 The amount of GLA precept per council tax band is set out in Table 14.

Table 14: GLA's proposed council tax for 2019/20 by band

Band	A	B	C	D	E	F	G	H
£	213.67	249.29	284.90	320.51	391.73	462.96	534.18	641.02

5.6 Council Tax and Collection Fund

- 5.6.1 Council Tax Base - 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 Executive Director of Corporate Resources has calculated under delegated authority in January 2019 the amount of 115,489.90 as the council tax base for the year 2019/20, based on an outturn collection rate of 97.7% unchanged from 2018/19.
- 5.6.2 Collection Fund Surplus 2018/19 - the projected surplus on the collection fund in relation to council tax at 31 March 2019 is £6.799m, which has to be apportioned between the council £5.410m and the GLA £1.389m. The council's share has been added to the resources available to the council's General Fund in 2019/20.
- 5.6.3 The projected surplus on the collection fund in relation to business rates at 31 March 2019 is £3.434m, which has to be apportioned between the council £0.615m, central government £0.676m, GLA £0.758m and the London Business Rates Pool £1.385m (of which £0.400m is estimated to be Ealing's redistributed share). The council's shares have been added to the resources available to the council's General Fund in 2019/20.

Council Tax Increase 2019/20

- 5.6.4 Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2019/20 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.
- 5.6.5 Final decisions on the budget and council tax will be taken on 26 February 2019 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 Section 151 Officer on the robustness of the budget and on reserves and balances.
- 5.6.6 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 Council Tax in eight years. However, for 2019/20, in order to deliver a balanced budget, the Medium Term Financial Strategy is based on a recommended increase of 1.0% for the Social Care Precept and an increase of 2.99% for Council Tax. This increase is necessary to mitigate the impacts of ongoing social care pressures and inflationary increases. The council tax income that will be generated estimated to be around £4.8m is not sufficient to replace lost government funding.
- 5.6.7 Table 15 sets out the Indicative Basic Amounts of Ealing's council tax for 2019/20 excluding GLA based on a 1% Social Care Precept increase plus a 2.99% Council Tax increase. Officers recommend that this increase is necessary to mitigate the impacts of inflationary cost pressures and social care growth.

Table 15: Ealing's council tax for 2019/20 by band

Band	A	B	C	D	E	F	G	H
£	794.40	926.81	1,059.21	1,191.61	1,456.41	1,721.22	1,986.01	2,383.22

- 5.6.8 For each budget adjustment of +/-£1m, the impact on council tax is +/-£8.66 per annum for Band D council tax.
- 5.6.9 For every 1% increase in the 2019/20 council tax, an additional £1.2m council tax revenue is raised and therefore for every 1% variation in the proposed council tax increase, further savings of £1.2m would be required.

Council Tax – Empty Property Premium

- 5.6.10 From April 2013 the Government introduced new legislation allowing for authorities to charge a premium on top of the normal council tax for dwellings that have been

empty and substantially unfurnished for at least two years (excluding those exempted from paying such as those under probate or where occupation is prohibited by law). This allowed Ealing to introduce a premium of 50% to be added to the Council Tax bill. The drive behind this was to reduce the number of properties left empty for long periods of time, to bring back into use particularly given the challenges of housing shortages seen in many areas.

- 5.6.11 Last year the Government announced the extension of the empty property premium to double the amount of the premium to be levied and allow Local Authorities to charge 100% additional amount from 1st April 2019. This was contained in Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.
- 5.6.12 This charge will be levied on all long term empty properties that have been empty for more than 2 years. Further to this charge, the new Government Bill introduced formal legislation for this premium to be extended to allow authorities to charge a 200% premium from April 2020 and then 300% premium from April 2021.
- 5.6.13 Full Council on 26 February 2019 will be recommended to agree 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 1st April 2019. A premium of 100% has been incorporated in the Council tax base calculation for 2019/20.

Localised Council Tax Support Scheme

- 5.6.14 With effect from 1 April 2013, council tax benefit was replaced by the localised council tax support CTS scheme, and from the same date councils introduced a scheme of council tax discounts and premiums for second homes, repossessed properties, empty and unfurnished properties and properties undergoing structural repair or alteration.
- 5.6.15 A report on Ealing's council tax support scheme for 2019/20 was approved by Cabinet on 11 December 2018 and will be considered by Full Council on 26 February 2019. Although a range of small changes have been proposed, the impact on council tax income as a result of the changes is expected to be neutral. The total cost of the scheme in 2019/20 is forecast to be £23.882m with the total reduced council tax income for Ealing forecast to be £18.970m (based on a 3.99% council tax increase).

5.7 Business Rates

- 5.7.1 The Business Rates Retention scheme was implemented from April 2013. Under the scheme, up to 31 March 2018, Ealing retained 30% of business rates income with the remainder paid to GLA and Central Government.
- 5.7.2 On 16 January 2018 Cabinet approved recommendations to proceed with implementation of the London Business Rates Pilot Pool in 2018/19 and on 11

December 2018 Cabinet approved recommendations to continue participation in the Pilot Pool for 2019/20, noting that the Central Government (MHCLG) were expected to change the terms of the pilot scheme to be on a 75% retention basis and without a “no detriment” clause as opposed to the existing 100% pilot scheme for 2018/19. This was confirmed in the Local Government Finance Settlement in December 2018 and London has since confirmed its agreement to continue the Pilot Pool.

5.7.3 In terms of Government expectations, there were a number of fundamental assumptions when the Pilot Pool was set up for 2018/19:

- From 1 April 2018 to 31 March 2019 London authorities will retain 100% of their non-domestic rating income as defined by the Ministry of Housing, Communities and Local Government MHCLG. London will not retain 100% of total rates collected, as it will continue to pay an aggregate tariff to government. The overall level of collected rates that will be retained in 2018/19 is around 64% after the tariff is paid.
- London authorities also receive Section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income. Section 31 grant will amount to 100% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality.
- The London Pool will retain 100% of any growth in business rate income above baselines and will pay no levy on that growth.
- MHCLG will no longer pay RSG to the London authorities in 2018/19. Funding baselines will be increased by the equivalent amount to reflect this transfer of RSG, which overall amounted to £775 million in 2018/19. For Ealing this sum was £26.2 million.
- London authorities are not subject to more onerous rules or constraints under the 100% rates retention pilot, than they would have been if they had remained subject to the existing ‘67% scheme’ in place in 2017/18.
- No ‘new burdens’ have been transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review.
- In the event that London’s business rates income falls, the Pool will have a higher ‘safety net’ threshold – 97% rather than 92.5% of the overall baseline funding level – than in the existing system, reflecting the greater reliance local authorities will have on business rates within the pilot.
- The piloted approach is to be without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four year settlement period. The ‘no detriment’ guarantee ensures that the Pool, as a whole, cannot be worse off than the participating authorities would have been collectively if they had not entered the pilot Pool. In the unlikely event of this arising (as the forecast as the Pool inception was for collected rates to 6% above baselines), the government would intervene to provide additional resources.

5.7.4 The key principles that underpinned the Pool at set up were:

- The Pool in 2018/19 will not bind boroughs or the Mayor indefinitely – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 31 August each year. Were the Pool to continue beyond 2018/19, unanimous agreement would be required to reconfirm a Pool from 2020/21 onwards the expected year in which funding baselines will be update as a result of the Fair Funding Review.
- No authority can be worse off as a result of participating - where authorities anticipate a decline in business rates, the first call on any additional resources generated by the Pool would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the Pool this would include the equivalent of a safety net payment were it eligible for one individually under the current 67% system. Where authorities expect to grow, they will continue to retain at least as much of that income as they would under the current system, plus a potential share of the aggregate benefits of pooling assuming the Pool grows. Where the Pool overall has less income than would have been available collectively under the 67% system, the funding provided by the Government as part of the ‘no detriment’ guarantee would be used to ensure that no individual authority is worse off than it would have been otherwise.
- All members will receive some share of any net benefits arising from the Pool – recognising that growing London’s economy is a collective endeavour in which all boroughs make some contribution to the success of the whole, all members of the Pool will receive at least some financial benefit, were the Pool to generate additional resources.
- The Pool will only be guaranteed for one year but the aspiration will be to continue it in future years through and beyond the expected roll out of 100% retention across England in 2020/21 or 2021/22. Full nationwide implementation of 100% retention will, however, require primary legislation.

5.7.5 The changes to the pilot scheme to move to 75% retention (from 100% retention) are not expected to fundamentally change the Pool’s key principles. The key implications overall are:

- London authorities have will retain 75% of their non-domestic rating income as defined by the MHCLG, with the remaining 25% being paid to MHCLG. The aggregate tariff paid to the government and individual authorities baselines (set by the inclusion of top up and tariffs within the Pool) have been adjusted to reflect the change. RSG continues to not be paid to participating authorities.
- The no detriment clause removal means that government will not intervene if a fall in business rates in 2019/20 means that London as a whole will be worse off as a result of participating in the Pilot Pool. This is not anticipated to be an issue due to the continuing forecast for collected rates across London to remain above the funding baseline.

5.7.6 The financial benefit to Ealing of participating in the Pool in 2019/20 is forecast to be £3.3m based on scenario modelling which has been made available to London Pool members.

- 5.7.7 At the end of each financial year the council continues to be required to report the actual business rates collected via the NNDR3 form. This is subject to audit and any variations shared between the MHCLG, GLA, Ealing and the London Business Rates Pilot Pool based on the relevant proportionate shares for the financial year.
- 5.7.8 Each year, local authorities also continue to be required to provide details of expected business rates income for the following year via the NNDR1 form, which is a government return. The calculation for 2019/20 has been made and was signed off under delegated authority in January 2019 by the Executive Director of Corporate Resources.
- 5.7.9 At the time of this report, Ealing had not received an official estimate of its Business Rates income for 2019/20 from the London Pilot Pool, however based on scenario modelling made available to Pool members the estimated Business Rates Income for 2019/20, including section 31 grants, top up funding and distributions of prior year surpluses is £104.679m.
- 5.7.10 On 16 February 2016, Cabinet made a decision to introduce a London Living Wage LLW Business Rates Discretionary Discount scheme which encouraged employers to pay their employees a minimum on 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 from the Foundation 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 2019.
- 5.7.11 Approval is now sought to extend the scheme for a further year from 1 April 2019 to 31 March 2020. 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 remained the same.

5.8 Central Contingency

- 5.8.1 During 2018/19 a central contingency budget of £1.5m was available to be applied to budget issues as they arose during the year. The central contingency budget for next year has been reduced by £0.5m to £1.0m.

5.9 Parking Account

- 5.9.1 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 essentially 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.

5.9.2 The parking contribution to concessionary fares for 2019/20 is £11.483m. A breakdown of the parking account for 2019/20 is provided at Appendix 4.

5.10 Schools Budget

5.10.1 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

5.10.2 The Department for Education DfE announced details of the schools funding settlement for 2019/20 in December 2018.

Dedicated Schools Grant DSG Allocation

5.10.3 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. In order 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 in 2018/19, and it is proposed also for 2019/20 and 2020/21.

5.10.4 The key changes were:

- a) From 2018/19 DSG was split into the following four blocks;
 - Schools Block SB
 - Central School Services Block CSSB – new for 2018/19
 - Early Years Block EYB
 - High Needs Block HNB
- b) The CSSB mainly includes specific central spend previously included within the Schools Block and retained element of the Education Services Grant ESG which has now been disbanded.

5.10.5 The 2019/20 DSG allocation is set out in Table 16:

Table 16: DSG Allocation

DSG Blocks	2018/19	2019/20	Variance	Status
	£M	£M	£M	
Schools Block	239.429	240.672	1.243	Confirmed
Central Schools Service	3.289	3.236	0.053	Confirmed
Early Years Block	28.138	28.366	0.228	Provisional - actual will be based on January 2018 5 / 12th and January 2019 7 / 12th census pupil count
High Needs Block	52.900	54.382	1.482	Confirmed
Total Allocation	323.756	326.656	2.900	

Schools Block

5.10.6 The mainstream funding for 2019/20 totals £240.672m. The Schools Forum has agreed to transfer 0.5% (£1.2m) to support the high needs block spending leaving a schools block total of £239.469m. The Authority will follow the structure of the NFF but continue to use local funding factors outside this for rates, the PFI factor, and mobility. In the case of pupil growth in 2019/20 the funding will be allocated to the LA based on a national formula for new and growing schools. The local formula allows all schools to gain a 1% increase in funding against 2017/18 NFF baselines as per the government's commitment published in 2017. As a result of this approach the Minimum Funding Guarantee (MFG) is proposed at 0%. Those schools that gain will not be capped. This is more generous than the cap in 2018/19 which was set at 2.52%.

Early Years Block

5.10.7 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
- Early Years Pupil Premium

5.10.8 The funding arrangements for 2019/20 are as follows:

- Ealing's funding rate after transitional protection is £5.83 per hour
- The rules guiding the structure of the formula remain unchanged
- The maximum a Local Authority will be able to retain for central spend will remain 5%
- Head count is expected to reduce in line with population estimates.

5.10.9 Table 17 outlines the proposed allocation of Ealing's Early Years Block for 2019/20

Table 17: Provisional Early Years DSG Block Allocation

Projection of Provisional Early Years Block in 2019/20	£M
Central Spend 5% Allowance	1.194
Early Years Inclusion Fund	2.118
Nursery Education Grant Spend	19.813
Contingency	0.754
Total 3-4 Year Old Budget	23.879
Early Years Pupil Premium/Disability Access Funding/Maintained Nursery School Supplement	0.950
2 Year old Grant Spend	3.537
Total Early Years Block	28.366

5.10.10 Based on current published grant allocations 2018/19, the Early Years block has seen a slight increase to the total funding available to providers, due to headcount not falling as much as anticipated in January 2018. This has resulted in the pass through available to providers increasing, therefore it is proposed to increase Ealing's Early Years Funding Formula in line with this in 2019/20.

5.10.11 Table 18 outlines the hourly funding rates for the Local Funding formula 2018/19 and proposed rates for 2019/20;

Table 18: Proposed Hourly Rates for Early Years

Early Years Funding Formula Factor - All Nursery Providers	2018/19	2019/20
Base Rate	90% of funding	90% of funding
Universal 15 hours	£4.43	£4.57
Additional 15 hours	£4.43	£4.57
Deprivation mandatory	5% of supplement	5% of supplement
	£0.25	£0.26
Quality	5% of supplement	5% of supplement
	£0.25	£0.26

5.10.12 This is an increase of 0.14p on the funding base rate for all our providers and a 0.01p increase on funding supplements.

High Needs Block

5.10.13 The HNB is a single block for local authorities' high needs pupils/students aged 0-24. This block includes hospital education. This is not based on pupil numbers. An allocation for high needs in schools in 2019/20 of £54.382m was issued by the DfE £52.900m in 2018/19.

Central School Services Block

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

Table 19 Central School Services Block

Service funded from Central School Services Block	2018/19	2019/20	Change
	£M	£M	£M
School admissions	0.684	0.684	0.000
Servicing of schools forums	0.072	0.020	(0.052)
Fees to non-maintained independent schools Education element of LAC Placements	0.435	0.407	(0.028)
Copyright licences paid centrally as calculated by the DfE	0.210	0.210	0.000
Retained duties - in respect of all schools, maintained and academies. Previously funded through the Education Services Grant (ESG) retained element	0.745	0.745	0.000
sub-total of Central Services	2.146	2.066	(0.080)
SAFE Supportive Action for Families in Ealing	0.219	0.219	0.000
Parenting Service -Interventions in families with children who have challenging behaviour.	0.074	0.074	0.000
LAC teaching service	0.145	0.145	0.000
Travellers Service	0.125	0.125	0.000
Historic Commitment savings transferred to High Needs	0.607	0.607	0.000
sub-total of Historic Commitments	1.170	1.170	0.000
Total Central Schools Services Block	3.316	3.236	(0.080)

Pupil Premium Grant (PPG)

5.10.15 In addition to DSG, the 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.

5.10.16 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. The unit rates applied for pupil premium allocations are shown in Table 20

Table 20: Pupil Premium Unit Rate for 2019/20

Pupil Premium unit rate for pupils eligible for FSM	£
Primary	1,320
Secondary	935
LAC Looked After Children	2,300
Children Adopted from Care	2,300
Service pupils	300

Universal Infant School Meals (UFSM)

5.10.17 Schools will also receive funding for UFSM for eligible children in year reception, year 1 and year 2 on the schools roll at October 2018 and January 2019 census days. The meal rate for 2019/20 remains at same levels as 2018/19 £2.30 per meal.

Teachers pay and pensions

5.10.18 The DfE have committed to partially fund the teachers' pay award through the Teachers Pay grant, with schools funding the first 1%. Allocations have been announced for 2018/19 and 2019/20. Currently there are no further allocations.

5.11 Capital Programme

5.11.1 The original budget for 2018/19 of £604.074m was approved by Cabinet in February 2018. Subsequently the programme has been revised to reflect underspends on completed projects, additions or deletions approved by Cabinet or under delegated authority in consultation with the relevant portfolio holder, adjustments arising from the comprehensive review of forecast spend profile undertaken during the summer, and new growth proposals for 2019/20.

Table 21: Capital Programme Budget Movement

Capital Programme	General Fund	HRA	Total
	£m	£m	£m
Approved Programme at February 2018	242.008	362.066	604.074
2017/18 Outturn Slippage	23.880	27.188	51.068
Approved Programme at July 2018	265.888	389.254	655.142
In-year additions and adjustments	174.447	0.000	174.447
Growth: HRA Business Plan	0.000	29.305	29.305
Deprogramming	(13.215)	0.000	(13.215)
Capital Programme 2018/19-2022/23	427.120	418.559	845.679
Growth: Future Ealing budget process	51.420	0.000	51.420
Capital Programme 2018/19-2022/23	478.540	418.559	897.099

5.11.2 The key movements between the original approved budget and the revised capital programme are:

- Significant in-year movements across the General Fund and HRA programme reflect in-year approvals and slippage as reported to Cabinet during the year;
- Additions to the HRA programme reflect the HRA Business Plan that was approved by Cabinet on 11 December 2018
- Profiled capital spending plans have been reviewed as part of the wider Medium Term Financial Strategy review, including:
 - a review to identify potential schemes for deprogramming, being no longer of sufficient priority for the Council in view of its current financial position; and
 - identification of new General Fund capital schemes through the Future Ealing budget process.

Additions to the Capital Programme

5.11.3 As part of the 2019/20 budget process new General Fund capital proposals have been identified, taking into consideration the council's priorities. These additions, valued at £51.420m which will be funded from a combination of sources, including the use of capital receipts, contributions from revenue, reserves and borrowing, and external funding in the form of capital grants and Section 106 allocations. Funding for the new HRA capital investments was considered by Cabinet on 11 December 2018.

5.11.4 The additions to the General Fund programme and the funding sources are summarised in Table 22 below with further details at Appendix 6.

5.11.5 Funding for the General Fund additions of £51.420m will include additional borrowing of £8.364m, which has been built into MTFS budget forecasts.

Table 22: General Fund Capital Programme Funding for Additions

Funding for Additions	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£M	£M	£M	£M	£M	£M
General Fund (Mainstream)						
Borrowing	1.824	2.080	2.680	1.780	0.000	8.364
Flexible use of Receipts	2.000	0.000	0.000	0.000	0.000	2.000
Capital Receipt	0.000	0.020	12.400	5.550	0.000	17.970
Sub-Total (Mainstream)	3.824	2.100	15.080	7.330	0.000	28.334
General Fund (Specific)						
Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Grant	2.012	7.762	6.791	3.041	0.000	19.606
Invest to Save	0.000	0.000	0.000	0.000	0.000	0.000
Partnership	0.550	0.000	0.000	0.000	0.000	0.550
Section 106 Receipts	0.500	0.480	1.000	0.950	0.000	2.930
Sub-Total (Specific)	3.062	8.242	7.791	3.991	0.000	23.086
Total Funding	6.886	10.342	22.871	11.321	0.000	51.420

5.11.6 The Capital Programme is summarised in Table 23 with details at Appendix 7. It reflects revised budget forecasts, taking into consideration changes in spending profiles between years.

Table 23: Capital Programme 2018/19 to 2022/23

Capital Programme 2018/19 - 2022/23	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£M	£M	£M	£M	£M	£M
General Fund	95.155	139.178	98.162	59.758	34.868	427.120
HRA	91.098	107.068	87.684	67.230	65.479	418.559
Capital Programme Expenditure	186.253	246.247	185.845	126.988	100.347	845.679
Mainstream funding	110.117	191.566	132.294	82.013	68.442	584.431
Specific funding:						
Grants	49.259	27.407	28.295	25.056	11.985	142.002
Partnership Funding	3.822	0.015	6.413	0.000	0.000	10.250
S106	4.007	6.204	0.000	0.000	0.000	10.211
Parking Reserve	0.402	0.455	0.000	0.000	0.000	0.857
Invest to Save	0.150	0.120	0.000	0.000	0.000	0.270
HRA Major Repairs / Depreciation Reserve	16.680	19.079	18.844	19.919	19.920	94.442
Revenue Contribution	0.263	0.000	0.000	0.000	0.000	0.263
Reserve Drawdown	1.553	1.401	0.000	0.000	0.000	2.954
Capital Programme Funding	186.252	246.247	185.845	126.988	100.347	845.679

5.11.7 Cabinet and Full Council are asked to approve the Capital Programme 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; schemes are still subject to submission of a detailed report to Cabinet seeking formal approval and the release of funding.

5.12 Capital Strategy, Treasury Management and the Prudential Indicators

5.12.1 The Local Government Act 2003 the Act and supporting regulations requires the council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's CIPFA Prudential Code and the CIPFA 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.

5.12.2 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. 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.

5.12.3 Appendix 9 sets out the Treasury Management Strategy and Prudential Indicators for 2019/20 which are recommended for approval by Cabinet.

5.12.4 The council's existing Capital Strategy and Treasury Management Strategy have been reviewed to ensure compliance with the 2017 update to the Prudential Code. The council is now required to produce a Capital Strategy. Appendix 8 sets out the Capital Strategy which is recommended for approval by Cabinet.

5.13 Emerging and Known Risks

5.13.1 As part of the budget review process, services were asked to consider and document all emerging and known risks in submitting their budget proposals. The Revenue Budget for 2019/20 is, like the budget for 2018/19, being set in difficult financial and economic circumstances.

5.13.2 In addition to the financial risks facing the council as set out above, delivery of the planned savings is critical, including the delivery of c£15m of savings in

2019/20. The delivery of savings will necessitate robust monitoring and financial control throughout the budget monitoring processes.

- 5.13.3 The council considers key corporate risks via the corporate risk register, which is monitored at a number of internal boards and by the Portfolio Holder for Finance and Leisure. In addition, the council's Audit Committee meets quarterly and considers the adequacy of the risk management framework, the associated control environment, and the planned mitigating actions.

5.14 Budget Developments 2018/19

- 5.14.1 A Budget Update 2018/19 report is being considered at this meeting. There are no material developments to note for this report.

5.15 Adequacy of Reserves

- 5.15.1 Under the 2003 Local Government Act, the Section 151 Officer, the Council's statutory Finance Officer - the Executive Director of Corporate Resources, has to 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.

- 5.15.2 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 S151 officer. In coming to a judgement on this matter the S151 officer has taken into account matters such as:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Past financial performance e.g. does the council have a history of containing spending within budget?
- Current budget projections
- The robustness of estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures
- Spending pressures
- Increase in Social Care Precept and council tax.

- 5.15.3 The council's General Fund balance is at its target risk-assessed level of £15.473m and there is no further contribution planned within the base budget for 2019/20. £15.473m is 6.2% of the total net budget for 2019/20 £247.708m. The Executive Director of Corporate Resources considers that a balance of £15.473m at 31 March 2019 is adequate as the minimum sum given the risks the council is facing and considering Ealing's spending history. The adequacy of reserves will continue to be reviewed annually.

- 5.15.4 The recommendation of the council's s151 Officer on balances is therefore that the MTFS should ensure that the General Fund balance is maintained at £15.473m,

which is the estimated balance as at 31 March 2019. No budgeted contribution is therefore required as part of the 2019/20 budget process.

- 5.15.5 The Executive Director for Corporate Resources advises Members that the level of reserves has reduced significantly year on year and no longer provides the level of flexibility in managing budgets that was previously available. For this reason it is essential that spending is contained within budget in all areas of the council and Members must take robust steps to ensure that this discipline is maintained.
- 5.15.6 The opportunity cost of holding the recommended General Fund balance of £15.473m in 2019/20 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.
- 5.15.7 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 5.
- 5.15.8 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 5 (summary at Table 24 below).
- 5.15.9 The council has forecasted to transfer funds to and from earmarked reserves over the medium term, this is reflected in Appendix 5 and Table 24.

Table 24: Reserves Position

Reserves						
	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
Earmarked Reserves	(66.115)	(48.874)	(43.704)	(43.968)	(44.119)	(44.475)
Schools Balances	(14.788)	(14.788)	(14.788)	(14.788)	(14.788)	(14.788)
General Fund Balance	(15.473)	(15.473)	(15.473)	(15.473)	(15.473)	(15.473)
Total General Fund Reserves	(96.376)	(79.136)	(73.965)	(74.230)	(74.381)	(74.737)

5.16 Statutory Declarations on Robustness of Budget Estimates and Adequacy of Reserves

- 5.16.1 Section 25 of Local Government Act 2003 requires that the Chief Financial Officer in Ealing's case, the Executive Director of Corporate Resources must report to the authority on two areas:
- The adequacy of the proposed reserves; and
 - The robustness of the estimates
- 5.16.2 It also states that the authority must have regard to this report when the council tax is set.
- 5.16.3 The 2019/20 budget setting process is designed to produce robust four-year 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 does not include a proposed contribution to general reserves as the anticipated level of reserves as at 31 March 2019, is at the target level.
 - 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.
- 5.16.4 The Executive Director of Corporate Resources therefore advises that, in relation to the financial year 2019/20, the proposed budget is robust and the level of reserves and balances in the draft budget is adequate.

5.17 Housing Revenue Account

- 5.17.1 The Housing Revenue Account (HRA) must be operated for all local authorities with a retained housing stock and is 'ring-fenced' from the General Fund. The HRA 2019/20 Budget, 5 year MTFs and 30-year Business Plan (including the Capital Programme) was approved by Cabinet on 11 December 2018.

6 Legal

- 6.1 The Council has a legal duty to set a balanced budget.
- 6.2 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.

6.3 Please also see section 15 below: Equalities, Human Rights and Community Cohesion

6.4 In regard to the Council's employment law duties:

6.4.1 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 and the Chief Executive 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 and the Chief Executive 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.

6.4.2 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.

6.4.3 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.

6.4.4 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.

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

6.4.6 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.

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

6.5.1 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 in order for example to promote growth and jobs in its area, or in specified areas. The relief is to be awarded on a daily basis. Any such scheme needs to be approved by the Council's Cabinet.

- 6.5.2 By virtue of section 47(5C) of the Local Government Finance Act 1988 when making a decision to fix criteria for relief, the Council must have regard to any relevant guidance issued by the Secretary of State.
- 6.5.3 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.
- 6.5.4 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.
- 6.5.5 Entitlement to relief is subject to State Aid de minimis limits. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However, the grant of relief in accordance proposed scheme will not breach the rules regarding State Aid where it is provided in accordance with the De Minimis Regulations (as set out in EU Commission Regulation 1407/2013).

7 Value for Money

- 7.1 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.
- 7.2 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
- 7.3 Where possible, savings proposals have been made that impact minimally on service delivery despite the challenges presented by the budget pressures outlined above.

7.4 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.

8 **Sustainability Impact Assessment**

8.1 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.

9 **Risk Management**

9.1 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.

9.2 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.

9.3 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. 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.

10 **Community Safety**

10.1 Not applicable.

11 **Links to Strategic Objectives**

11.1 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

12 **Equalities, Human Rights and Community Cohesion**

12.1 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.

12.2 The protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

12.3 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.

12.4 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.

12.5 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

- 12.6 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.
- 12.7 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.
- 12.8 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.
- 12.9 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.
- 12.10 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'.
- 12.11 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.
- 12.12 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.
- 12.13 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.

13 **Equalities Analysis Assessments EAAs**

- 13.1 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.

14 In Regard to the Council's Public Law Duties

14.1 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.

15 Staffing / Workforce and Accommodation Implications

15.1 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.

16 Property and Assets

16.1 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.

17 Consultation

17.1 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.

18 Timetable for Implementation

18.1 The budget timetable is set out below.

Table 25: Budget Activity Timetable

Date	Activity
29 October 2018	<ul style="list-style-type: none">• Autumn Budget by Chancellor of the Exchequer
December 2018	<ul style="list-style-type: none">• Budget Strategy Update Report to Cabinet reflecting updated savings proposals and funding position, and continuing participation in the London Business Rates Pool Pilot• Cabinet approved HRA budget for 2019/20, 5 year MTFS and 30 year business plan (including capital programme)• Provisional Local Government Finance Settlement• Full council decision to approve updated Flexible Use of Capital Receipts policy
January 2019	<ul style="list-style-type: none">• S151 officer agrees Tax Base and forecast Collection Fund surplus under delegated authority• Final Local Government Finance Settlement
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.

19 **Appendices**

- 1 Medium Term Financial Strategy 2019/20 to 2022/23
- 2 Summary Revenue Budget 2019/20
- 3
 - a Growth 2019/20 to 2022/23
 - b Savings 2019/20 to 2022/23
- 4 Parking Account 2019/20
- 5 Analysis of Reserves
- 6 New Capital Schemes
- 7 Summary Capital Programme 2018/19 to 2022/23
- 8 Capital Strategy 2019/20
- 9 Treasury Management Strategy Statement, MRP statement and Annual Investment
- 10 Fees and Charges Schedule 2019/20

20 **Background Information**

20.1 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
- HRA Budget 2019/20, 5 year MTFS, 30 year Business Plan – December 2018
- Budget Strategy 2019/20 – December 2018
- Revised Council Tax Support Scheme 2019/20 – December 2018
- Changes to Neighbourhood Services – January 2019
- Budget Update 2018/19 – February 2019

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			
Ross Brown	Director of Finance			
Paul Najsarek	Chief Executive			
Judith Finlay Keith Townsend Tony Clements	Executive Directors			
Helen Harris	Director of Legal and Democratic Services			
Councillor Bassam Mahfouz	Cabinet Member for Finance and Leisure			
Councillor Julian Bell	Leader of the Council			

Report History

Decision type: For decision	Urgency item? No
Authorised by Cabinet Date: member:	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