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Report to Scrutiny
Item Number:

Contains Confidential or Exempt Information	No

Subject of Report:	Financial pressures facing the Council
Meeting:	Scrutiny Review Panel 3 – 2019/2020: Local Effects of National Issues 18 July 2019
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Director Responsibility:	Ross Brown Chief Finance Officer brownro@ealing.gov.uk Tel: 020-8825 6110
Brief:	To consider an overview of the financial pressures facing the Council, their impact and confirm areas for further review accordingly.
Recommendations:	The Panel is asked to: • comment on the information provided and • confirm the areas for further review at the future meetings.

1. Financial pressures facing the Council

1.1 Financial Context

1.1.1 The Council's revenue budgets are separated into three main blocks:

- General Fund (GF)
- Schools budget funded through a Dedicated Schools Grant (DSG)
- Housing Revenue Account (HRA)

1.1.2 A large proportion of the Council's activities are funded from the General Fund which has a net budget of £247.708m in 2019/20, however the Council's gross expenditure is more than £1 billion including schools and the Housing Revenue Account.

1.2 Savings and budget reductions[1 2]

1.2.1 Ealing has experienced significant, long-term and sustained cuts in funding as the Revenue Support Grant (RSG) (latterly transferred into funding being provided through the retention of Business Rates) 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.

1.2.2 Tables 1 and 2 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 3 illustrates the levels of savings made since 2011.

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

Table 1

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

Table 2

1.2.3 This results in Ealing being faced with a budget challenge for 2020/21 and future years covering 2021/22–2022/23 of over £41m needing to be found through savings or new income streams to allow for a balanced budget to be set. The exact profile of the savings is set out in Table 3:

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[1] Budget Strategy Report 19/20 – Cabinet February 12th 2019
[2] MTFS – 2019/20 – 2022/23 (February 2019)

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

Table 3

1.3 **Summary of Cost Shunts/Underfunded Burdens impacting Ealing's budget**[3]

1.3.1 The reduction in funding set out above is, of course, only part of a multifaceted challenge faced by Ealing and most other Local Authorities. In addition to funding cuts, Ealing, in common with other councils, has seen the imposition of numerous cost shunts/unfunded burdens as central government has shifted responsibility for services without the necessary budgets to deliver. Some key examples include[2]:

- Council Tax transformed into Council Tax Support (CTS) with a 10% cut in funding in 2013/2014 and then shortly afterwards the dedicated CTS funding was subsumed into the main grant to the Council. In Ealing this amounted to a funding reduction of £2.455m in the first year[4].

- Responsibility for public health transferring to local government in 2013/2014 with a 5% cut in funding, with a further transfer of services in 2015. In monetary terms for Ealing, this meant a £2.86m budget reduction since 2013.

- Local welfare provision funding transferred from DWP to councils in April 2013 with a corresponding funding reduction of 25% across London. Councils received transitional funding for 2 years to support the setting up of local schemes. Ealing's allocation was c£2m which lasted until 2016. Additional growth of £0.380m was given to fund this going forward and service mitigations including providing money and budgeting support, use of foodbank vouchers, helping residents to maximise benefits and signposting people to debt support agencies, have been put in place to control demand.

- Underfunding of homelessness and temporary accommodation. An unaffordable housing market and increasing market rents has increased the demand for housing with many families and individuals becoming homeless. This increase in housing demand has not been matched by funding needed to support the requirements. Whilst the Government has provided additional funding in the form of Flexible Homelessness Support Grant, initially for 2 years (Ealing has

[3] London Councils' report: London's Local Services: Investing in the Future (November 2018)
[4] Revised Council Tax Support scheme for 2019/20 – December 11th 2018

received just under £16m) the Council lost out on further admin funding that was included within the Housing Benefit calculation.

- The Homelessness Reduction Act 2017 placed additional responsibilities upon councils, with an estimated cost of £80m and funding of £14m across London. The council now spends in excess of £30m on temporary accommodation each year. Whilst most of this expenditure can be recovered through the housing benefit subsidy system, the general fund has had to shoulder an increasing share of the overall cost, principally because subsidy rates have remained static since 2011 despite rising unit prices.

- Supporting No Recourse to Public Funds responsibilities throughout the Children's Act was an estimated £50m cost across London councils. Since 2013, it is estimated that Ealing has spent c£2.15m in fulfilling this duty.

- Costs of supporting unaccompanied asylum children were underfunded. There was a recent grant announcement of c£40k per child for this but this is only from 2019/20 onwards and still leaves a forecasted budget deficit. The Home Office funds the 0-16 age group at £114 per day per child. Older children receive lower funding. Post 18 young adults are still supported but the government funding is reduced to £200 per week, which is expected to cover travel, subsistence and accommodation. There is currently a budget deficit of £0.191m. The number of children supported is also increasing as the number at 31 March 2019 was 55. In 2011/12 there were 20.

- Additional costs from the introduction of National Living Wage and National Insurance Contribution respectively added costs of £170m and £50m – £100m across London. Additional pay increases for Ealing (inclusive of inflation) in 2019/20 are estimated to be approximately £2.4m.

- Deprivation of Liberty Safeguards an additional £10m burden across London councils. At the end of 2018/19 a provision of £60K was set-aside in Ealing to fund estimated legal exposure.

- The Care Act 2014 placed additional responsibilities and the associated costs on councils.

- Prior to December 2012, before the Legal Aid, Sentencing and Punishment of Offenders Act 2012 was enacted, the full cost of Young Offender Institutes (YOI) and two thirds of the cost of Secure Children's Homes (SCH) and Secure training Centres (STC) were met by the Youth Justice Board (YJB).

  Since December 2012, Local Authorities have had to pay the full cost of STC and SCH. The YOI / LAC grant was determined after extensive consultation between the Ministry of Justice, Youth Justice Board and Local Authorities and this is reviewed annually.

  Ealing received a grant allocation in 2013/14 of £257,906 that was reduced in 2019/20 to £155,767. All unfunded costs must be met from the Council's Children and Families budget. The unfunded costs for 2018/19 were c.£500,000[5]. This cost is very volatile and difficult to predict/budget. The total cost since 2013/14 is £1.94m and the grant received £1.1m, giving an unfunded pressure of £0.8m.

1.4 Key drivers of current and potential budget pressures

1.4.1 By looking at the way in which Councils and specifically Ealing, in this case, spends its General Fund net revenue budget, you can gain a good insight into the areas that consume the largest proportion of resources and therefore the areas that contain a high degree of risk from a demand or inflationary perspective.

Departments	**Budget 2019/20**
	£M
Schools	1.533
Children's and Families	49.619
Children's and Schools (subtotal)	*51.152*
Adults	89.888
Public Health	(0.000)
Adults & Public Health (sub-total)	*89.888*
Place	11.974
Chief Executive	34.434
Housing Benefit Subsidy	5.862
Net Cost of Services (NCS) Sub-total	193.310
Corporate Items	54.398
Total General Fund	**247.708**

Table 4

1.4.2 As shown in the table above, a significant proportion of the Councils budget is spent in areas of social care across Adults and Children's services. Demographic and demand-led pressures in Children and Adults are material challenges for Children's and Adults' budgets and both experience great pressure due to the demand led nature of these services. One of the main risks in relation to these budgets relates to demographic change, broadly along the following lines:

- 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. 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. The Council's final allocation of improved Better Care Funding from the Government for 2019/20 is £12.307m, including £1.418m as announced in the 2018 Autumn budget

[5] : Corporate Parent, 27 June 2019, agenda item 16, Report on Looked After Children (LAC) and Youth Offending

- Children's – There are ongoing pressures in respect of expensive care placements due to the increased complexities of children in care. As an example, we have a current placement for a 14-year-old child who has complex needs but doesn't meet the threshold for continuing care and has no mental health diagnosis and his placement is costing just under £10k per week. Another adolescent was placed this month – a 14-year-old child whose placement is c£0.250m per year. There also remain pressures in respect of SEN transport relating to the increased Education, Health and Care Plans (EHCP) outcomes that results in more children requiring support. The increase in SEN plans has an impact on the provision of travel assistance. SEN transport costs are not charged to Dedicated Schools Grant (DSG) but to the General Fund. (SEN plans are charged to the High Needs Block of the DSG). The number of transport-assisted children has risen from 630 in 2015 to 730 in 2018. (16% increase). The average costs per child have risen in the same period from £8,140 to £8,990 (10%). There was a reported overspend in 2018/19 of £110,000 but the underlying pressure in 2019/20 is between £1.6 and £2m.

- The council currently supports 350 children with disabilities, at a cost of £5.5m with the top 3, each of whom have life limiting conditions, costing £0.5m each. The budget deficit in this area is forecast at c£2.5m.

- EHCP plans have increased from 1637 in 2015 to 2276 in 2018 (+40%). By 2020 the number is expected to be 2795, and by 2022, 2957. The projected overspend in the High Needs DSG will fall on the General Fund. This is predicted to be up to £5m in 2019/20.

1.4.3 Other service specific pressures that are highly likely to impact on the budget include:

- 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. With the current Housing Benefit regime still being calculated using the 2011 base position, when the market has seen considerable increase in rent, the Council loses out by having to subsidise rents that are not covered by the housing benefit subsidy. In 2018/19 this amounted to £6.1m

- 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 in the secondary sector. DSG growth fund is used for this but it is likely to be fully spent this year and may be a pressure here as yet unidentified but should be contained within DSG

- 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. Ealing schools that become academies may leave a substantial financial liability if they are in deficit Deficits must be funded by the General Fund. Conversely, schools leaving with surpluses can take the surplus to the academy. In 2018/19, 2 schools became academies and this resulted in a cost to the General Fund of £2.6m

1.4.4 Other non- service specific pressures that are likely to have an 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.

- 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 budgets.

- Contract risks e.g. contractor viability, non-delivery

- Levies paid to external bodies - payments outside the council's control that need to be met from its budget requirement. The following table illustrates the changes in levies since 2010/11. In 2011/12 council's specific grant received for concessionary fares was ended, as this was transferred into each local authority's formula grant allocation. The 2010/11 budget has been adjusted by £1.1m additional basic amount grant received by Ealing in 2011/12 so not to overstate the overall budget change between 2010 and 2019. In 2011/12 the budget was reduced as the London Pensions Fund Authority (LFPA) decided not to pursue a charge to London Boroughs for the deficit on the pensioner sub-fund. The effect of the estimated charge in 2010/11 of £0.584m has been removed from the table. The net impact of this is to reduce the core LPFA levy by 8.2%.

Approved Budget	**Use**	**2010/11 £'000**	**2019/20 £'000**	**% Change**
Concessionary Fares	Contributes towards Freedom passes for older and disabled Londoners	11,840	15,506	30.96%
West London Waste Authority	Contributes towards waste disposal costs	9,827	12,683	29.06%
Environment Agency	Contributes towards flood prevention schemes	233	265	13.73%
London Pensions Fund Authority	Contributes towards funding the deficit on the LPFA Pension Fund	447	428	-4.25%

Approved Budget	Use	2010/11 £'000	2019/20 £'000	% Change
	arising from the liabilities in respect of former GLC, ILEA and London Residual Body employees			
Lee Valley Regional Park Authority	Supports the maintenance and development of Lee Valley Park	357	299	-16.25%
Coroners Service	Contributes towards the funding of the Coroners service, leading investigations into deaths, where necessary	258	441	70.93%
Total		**22,962**	**29,622**	**29.00%**

- Pension Fund – employer contributions into the pension fund can fluctuate depending on the net liability of the fund and an agreed deficit repayment plan.

- 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 also remains a risk of an overall reduction in the council's income from business rates due to the volatility of appeals. Following the revaluation, the Business Rates payable by LB Ealing properties increased from £2.37m to £4.05m, although this increase is likely to be reduced following appeals settlement.

- Overall Business Rates income is falling, from the introduction of the 2017 list we have lost £9.32m in rateable value (RV), this is partly due to appeals against RV by affected businesses, with £3.51m of RV removed since the commencement of the list. There has also been a large volume in change of use from commercial to domestic. The number of rateable properties has increased by 600 in this time which reflects the valuation of smaller individual business units and the splits of many larger buildings into self- contained units.

Date	Rateable Value	Number of Hereditaments
1/4/17	£396,756,897	10,179
1/7/19	£387,440,197	10,779

- Legal Challenge over backdated pay relating to sleep-ins for social care residential settings.

- 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.

1.5 **Actions taken to alleviate pressures**

1.5.1 There are predominantly two approaches that can be taken to alleviate the financial pressures experienced as a result of the factors above. The first is funding derived, the second is to put measures in place to influence and control the demand arising.

1.5.2 The council has continued to deliver its wide-ranging programme of continuous improvement and efficiency to ensure services are cost effective and fit for purpose and that we operate as one council. We conducted a structured review of management posts to promote a one council approach, standardise spans of control where appropriate and deliver savings including rationalisation of the number of directorates from five to three. We also reviewed our approach to cross cutting support services, consolidating services like business support and performance and intelligence to ensure the organisation receives the support it needs and to deliver financial savings. Finally, the council has continued to identify service level opportunities for efficiency. In total the council has delivered savings of around £5.1m via the continuous improvement and efficiency programme during 2018-19.

Contract savings

1.5.3 Following ongoing engagement through Modern Council Board and consultation across the Council, a new Commercial Hub was launched in November 2018 to replace the old Procurement team, providing greater commercial support across the council. This new team, financed through the existing budget with no increase in funds, provides support across the whole commercial cycle, from commissioning, to procurement and through to contract management.

1.5.4 The business case for it, which was approved by Modern Council Board, was based upon prudent level savings of £1.2m being generated by service areas across the council with the new Hub's support in 2019/20. However, that figure has now been far exceeded and, due to the success of several projects, for 19/20, FE1s were produced which targeted contract-based savings and efficiencies. These are as follows:

Directorate	Savings Target (Prudent) [MTFS]	Savings Target (MLO)	Savings Target (Stretch)
All	£250,000	£350,000	£450,000
Children's & Adults	£1,128,427	£1,649,144	£2,093,861
Corporate Resources	£274,293	£374,990	£475,688
Environment & Customer Services	£1,204,629	£1,242,093	£1,279,557
Housing & Regeneration	£233,180	£340,628	£448,077
Housing & Regeneration and Corporate Resources	£900,000	£1,100,000	£1,300,000
Housing & Regeneration, Children's & Adults and Corporate Resources	£4,310	£6,465	£8,620
Grand Total	**£3,994,838**	**£5,063,321**	**£6,055,804**

1.5.5 The total of all contract-related savings for 2019/20 is £3,994,838.

1.5.6 The approach to supporting the contract savings outlined in these FE1s will, wherever possible, look to generate efficiencies through more commercial, outcome-based commissioning and negotiations / contract reviews which drive better value from suppliers through a rate reduction but have no material impact on the specification of what has been contracted. However, it is acknowledged that this will only deliver a certain level of savings and with a greater level required, activity will also have to include, on certain contracts, the re-alignment of specifications to the new available budget amounts.

1.5.7 The analysis of potential savings has been based upon the forward plan of procurements for the next 24 months, contract specific budgets information, third party spend analysis and the current contracts register. This analysis has considered the sort of market each contract is within and the level of savings a more commercial approach can deliver. The below summarises the target savings levels:

- Challenging (0.5% to 1.0%), i.e. Adult and Children's Social Care
- Standard (1.00% to 2.00%), i.e. Legal, Training, Agency, FM
- Economical (3.00% to 5.00%), i.e. Fleet, Equipment, Professional Services.

1.5.8 For 2020/21, savings proposals are now being worked up by service areas with the support of the Commercial Hub. The work on these proposals started in June 2019 and is reviewed by the Joint Contracts Board that meets monthly.

1.5.9 Funding derived measures can also include options such as:

- **Council Tax Increases**
  The council tax base directly correlates to the amount of Council Tax charge that will be raised each year.

  There has been a steady increase in the tax base over recent years which is partly due to the number of new residential developments, both new builds and splits in larger residences into smaller individual homes. The Council has also focused on ensuring any discounts or exemptions are correctly applied.

CTB1 Date	Number of Properties	Council Tax Base (net of benefits and discounts, exemptions etc)
01-Oct-12	129,530	123,899
01-Oct-13	130,649	104,643
01-Oct-14	131,765	109,454
01-Oct-15	132,685	111,885
01-Oct-16	133,318	113,717
01-Oct-17	134,918	115,468
01-Oct-18	136,321	116,826

- **Social Care Precept and Council Tax increase** – in 2019/20 £4.8m is expected to be raised through the precept and increased council tax level.

- **Fees and charges** – 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 (unless set by statute or subsidised).

- **Maximising external funding** – this is predominantly from Central Government to support specific service pressures – such as Adult Social Care funding. As an example, Ealing received funding for winter pressures demand in 2018/19 of £1.418m.

1.5.10 Measures put in place to influence and control demand include:

- Early intervention models such as Brighter Futures, which has had significant success in maintaining stable numbers of Looked After Children (LAC). As an example, in 2011 there were 410 LAC. By 2018/19, this had reduced to 354. The target for 2021/22 is 314.

- Strength based programmes such as Better Lives that has helped to stem the increase in care packages. The Council is currently forecasting to spend £84.6m towards all placement's costs for adult social care against an outturn of £86.06m. The Council also introduced a new charging policy in 2019/20 which looks to charge for additional admin support services and also disregard benefits as part of the assessment, which will look to increase client contribution to the Council.

- More proactive intervention to assist vulnerable clients who could be evicted from private tenancies to prevent them presenting as homeless, such as negotiating a one-off payment to offset some of the difference between the tenant's rent and the average market rent

- Reduction in waiting list and reduced bed and breakfast costs by increasing appropriate housing supply. The Council is using its unused development land to provide additional housing units in the form of modular homes, which will enable homeless families to move out of B&B, have better accommodation and the accommodation will be more cost effective for the Council.

- Support to clients to move from temporary accommodation into more permanent residences. The Council has a large housing development programme and is planning to deliver 2500 Genuine Affordable Homes over the next 4 years. This will provide much needed Housing stock to reduce homelessness and therefore reduce the reliance on private sector housing).

1.6 Business Rates and Council Tax[1]

1.6.1 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. Most Business Rates exemptions and reliefs are prescribed under legislation to what can be awarded. There have been some schemes where local discretion has been allowed, this includes the Local Discretionary Rate Relief Scheme which was approved by Cabinet in 2017 and 2018. Funding for this came from Central Government and Ealing's scheme aimed to provide support to those businesses most affected by large increases in bills following the 2017 revaluation.

1.6.2 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 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 all London authorities have collectively have since confirmed their agreement to continue the Pilot Pool.

1.6.3 The key principles underpinning the Pool are:

- The Pool 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, unanimous agreement would be required to reconfirm a Pool from 2020/21 onwards the expected year in which funding baselines will be updated 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 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.

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

- London authorities 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.

1.6.5 The additional revenue through the London pool was £2.6m for 2018/19.

1.6.6 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.

1.6.7 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.

1.6.8 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.

1.7 Enabling a more agile organisation through the budget process[2]

1.7.1 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.

1.7.2 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.

1.7.3 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.

1.7.4 These outcomes have been consolidated into several bundles for forming the budget proposals. These are:

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

1.7.5 As part of the budget process, service outcome reviews have made significant contribution to addressing the MTFS challenge and the benefits arising from them will cover the entire MTFS period. There have also been changes to staffing including:

- Changes in the top management structure and the deletion of the positions of Executive Director, Environment & Customer Services and Corporate Resources and the creation of the Executive Director, Place to meet current and future organisational requirements.

- Insourcing of ICT from SERCO and Libraries increased (not decreased) number of staff in the organisation but changed the model from an “outsourced” to an “insourced” model.

1.8 **Communication with residents**

1.8.1 Between June and October 2018, the Council ran a series of public engagement activities around the council’s transformation programme that was badged as ‘Talk Future Ealing’. An online engagement room was launched with information about the council’s priorities, Future Ealing goals and financial challenges.

1.8.2 Talk Future Ealing roadshows were staffed by councillors and council officers and communicated the council’s new priorities, Future Ealing outcomes and financial challenges to local people. It also suggested ways that residents could get more involved in their local area and adopt behaviours that could help to make the borough better as well as save the council money.

1.8.3 Residents were invited to come along to discuss their ideas with council officers. There was an electronic feedback kiosk on site that visitors were encouraged to use to record their views via a quick survey. The roadshow was held at:

- Hanwell Carnival
- Greenford Carnival
- Acton Carnival
- Ealing Jazz Festival
- London Mela

1.8.4 The roadshow was also set up in Perceval House to ensure staff were aware of messages being given to residents. Residents were asked the following questions, with response rates also shown:

1. Do you agree that Ealing Council should focus on the following priorities? Good, genuinely affordable homes: 82% agreed, 11% neither agreed or disagreed, 7% disagreed.
2. Do you agree that Ealing Council should focus on the following priorities? Opportunities and living incomes: 83% agreed, 11% neither agreed or disagreed. 6% disagreed.
3. Do you agree that Ealing Council should focus on the following priorities? A healthy and great place to live: 87% agreed, 6% neither agreed or disagreed. 7% disagreed.
4. How well do you understand the financial challenges that Ealing Council faces? 52% understand, 28% didn't know, 20% didn't respond.
5. How willing would you be to give your time to do something good to make Ealing a better place? 62% would be willing, 27% don't know, 12% wouldn't. Respondents were also asked what they would be willing to do to help.

1.8.5 Messages from the roadshow were also communicated through the Council's social media channels and ward councillors engaged residents in discussions about priorities and financial challenges through ward forum meetings.

Around Ealing

1.8.6 A three-page spread was published in the June 2018 edition with information about Future Ealing outcomes and promoting our Talk Future Ealing campaign.

1.8.7 A single page story, publicising Talk Future Ealing roadshow visits to ward forums was published in the October 2018 edition.

1.8.8 Both articles were published online on the Ealing News Extra website.

Next steps and other options considered

1.8.9 The council communications approach aims to ensure that residents understand the service offer, the context for decisions and the opportunities to engage. Financial context is a key part of this, although as our Peer Reviews in 2016 and 2017 noted it is important to provide a balanced message to residents which the organisation strives to do. Messages about the council's financial challenge are built into appropriate council communications on an ongoing basis. We use a mix of communication tools and channels to disseminate information from print to online. As noted above one of the key themes discussed with residents during the council's Talk Future Ealing public engagement activity that took place in summer/autumn 2018 was the scale of cuts to council budgets and the impact that this would have on council services.

1.8.10 The 2018 resident survey results show that Ealing is matching other councils in terms of how informed residents feel about the council overall. Using feedback from this survey we will now consider if there are any communications opportunities as we seek to strengthen residents' understanding of the council's financial challenge and what it means for them. In consultation with the finance and communications' portfolio holders we will consider how to make communications about our financial position more accessible and test our approach via resident focus groups.

1.8.11 The council has considered the use of online budget simulator tools – which have been used by a number of authorities. On balance the council has decided against the use of this approach. Whilst engaging there is some concern that they do not effectively enable residents to grapple with the choices. For example, the experience in many areas has shown that residents have often prioritised deeper reductions in areas where the council has less ability to make service reductions – notably social care. Therefore, the council's strategy to date has prioritised overall awareness and to engage residents via consultation on more detailed, and arguably meaningful choices e.g. the recent consultation on community managed libraries. This will be regularly reviewed.

1.9 Brexit Implications[6] [7]for the budget

1.9.1 Whilst the financial impact of Brexit is not yet fully known, 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 £0.220m over 2 years.

1.9.2 The Government decided to intensify preparations from mid December 2018 for a no deal Brexit amid uncertainty over the fate of PM's proposed EU exit deal. Preparations have been further accelerated following the heavy rejection of the current proposed deal, by MP's on 15 January 2019.

Budget for No Deal Brexit

1.9.3 The following financial arrangements have been implemented by Government:

- The Cabinet has agreed to set aside £2bn in case the UK leaves without any deal.
- The Ministry of Housing, Communities and Local Government received £35m.

[6] Brexit Preparedness - SLT report dated April 24th 2019
[7] Preparations for Exiting the European Union – Cabinet report March 19th 2019

- The Government has published 77 technical papers on how to prepare if there is no deal.
- Letters were sent to 140,000 businesses / firms updating them on what they should do.
- Updated Revenue & Customs information packs were sent to firms on possible changes at the border.
- Consumers advice published in areas ranging from booking flights to using credit cards.

1.9.4 The Bank of England has said that in the event of a disorderly Brexit, GDP could fall by 8% in 2019 against its current forecast, unemployment could rise to 7.5%, house prices fall by 30% and commercial property prices collapse by 48%. Interest rates could reach 4%. This could lead several detrimental impacts on areas including:

- Financial sector
- Imports and export businesses
- Tourism
- Haulage sector
- Businesses leaving the UK
- Workforce issues due to EU nationals leaving the UK
- Public services dealing with an influx of UK nationals

1.9.5 In a report, published in April 2019, the Housing, Communities and Local Government Committee made 5 recommendations [8] in terms of Local Government post Brexit including:

- The Government must urgently advance its plans for the establishment of the UK Shared Prosperity Fund and publish the promised consultation on its design and administration within two weeks from 12 April. Funding levels for the new Fund, to be announced at the time of the Autumn 2019 Spending Review, must match or exceed the equivalent levels of EU funding which is currently provided to local government.

- Government should consider the effect of the loss of European Investment Bank loans at the regional and local level and consult local representatives in ongoing discussions to determine how infrastructure projects may be appropriately funded in future, providing clarity on such arrangements as soon as possible.

- The Government should urgently make clear its plans for the further devolution of powers to local authorities post-Brexit and publish its proposed new Devolution Framework within one month of the UK's withdrawal from the EU.

- The Government must make clear its plans for the role of local government in the creation of post-Brexit domestic policy

[8] HC 493 Brexit and local government Thirteenth Report of Session 2017–19

- The Government must consult with local authorities as it transfers legislation from the EU back to the UK.

2. **Legal Implications**
These are contained within the report above.

3. Financial Implications
These are contained within the report above

4. Other Implications
Not applicable.

5. Background papers

1. Budget Strategy Report 19/20 – Cabinet February 12th 2019.
2. MTFS – 2019/20 – 2022/23 (February 2019)
3. London Councils' report: London's Local Services: Investing in the Future (November 2018)
4. Revised Council Tax Support scheme for 2019/20 – December 11th 2018
5. Corporate Parent, 27 June 2019, agenda item 16, Report on Looked After Children (LAC) and Youth Offending
6. Brexit Preparedness - SLT report dated April 24th 2019
7. Preparations for Exiting the European Union – Cabinet report March 19th 2019.
8. HC 493 Brexit and local government Thirteenth Report of Session 2017–19

Report Consultation

Name of Consultee	*Department*	*Date Sent to Consultee*	*Date Response Received from Consultee*	*Comments Appear in Report Para*
Internal				
Director	Executive Director			
Lawyer	Director of Legal Services	N/A		
Finance Officer	Director of Finance			
Cllr Paul Driscoll	Panel Chair	01.07.19		
Cllr Gary Busuttil	Panel Vice Chair	01.07.19		
External				
None				

Report History

Decision Type:		***Urgency item?***	
Non-key Decision		No	
Authorised by Cabinet Member:	***Date Report Drafted:***	***Report Deadline:***	***Date Report Sent:***
N/A		10.07.19	09.07.19
Report No.:	***Report Author and Contact for Queries:***		
	Ross Brown Chief Finance Officer Email: brownro@ealing.gov.uk Tel: 020-8825 6110		