



Report for: DECISION
Item Number: 7

Contains Confidential or Exempt Information	No
Title	BUDGET STRATEGY AND MTFS 2020/21 TO 2022/23
Responsible Officers	Ross Brown. Chief Finance Officer (Section 151)
Authors	Shabana Kausar, Head of Strategic Finance
Portfolio	Councillor Bassam Mahfouz, Finance and Leisure
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Purpose of Report

This budget report sets a balanced and sustainable annual budget for 20/21 following a prolonged reduction in the Council’s funding from central government that has seen since 2010, a loss of 64p in the pound. It brings forward new savings and income proposals in addition to those set out in the Budget Strategy report in December 2019 and sets out the proposals to invest in Council services. Significant savings are delivered through Future Ealing Modern Council and build on the multiple benefits to date of the Commercial Hub producing savings that are generated from contracts whilst also delivering on key priorities such as a greener Ealing, with 100% of the Council’s electricity coming from renewable sources. Future Ealing’s strong demand management focus has also been very effective in containing growth in the areas of looked after children, adults and homelessness.

In total this report sets out investment plans of over £18m for 2020/21, putting new funding of £5.350m into waste services including living wage for all workers, investment of £4.650m into Special Educational Needs (subject to the outcome of

the new Government consultation) to meet the significant increase in demand, provides new growth for children with disabilities transitioning to adulthood of £0.600m, makes investment of £5.000m in the boroughs highways and footways and invests over £2.8m ensuring the Council's properties are fire safe and compliant premises to undertake services from.

The report seeks Cabinet approval of the specific revenue budget proposals and the capital programme for recommendation to Full Council at the statutory budget setting meeting on 25 February 2020. The report provides a summary of previous savings and growth proposals agreed at Cabinet meetings during last year 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, funding position following the 2020/21 local government finance settlement which set out core funding figures and provides an update on the new London Business Rates non-pilot Pool and schools funding. It also seeks approval for the business rates discount for 2020/21.

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

1.1. It is recommended that Cabinet:

Revenue Budget

- 1.2. Notes progress against the savings target agreed by Cabinet in December 2019 as part of the budget review process for 2020/21 and recognises that as far as possible the proposals contained in the report seek to improve outcomes for residents most in need.
- 1.3. Approves net savings of £2.3m to be delivered from the General Fund, submitted as part of the 2020/21 budget review process, for 2020/21 to 2023/24 (section 5.2 and Appendix 2b).
- 1.4. Authorises the Executive Director or Director with responsibility for each proposal to:
- a) carry out all steps required in relation to each proposal, including carrying out any appropriate consultation;
 - b) consider any consultation outcomes and any other detailed implications,
 - c) complete and consider the implications of any equalities analysis assessment required;
 - d) following completion of 1.4(a), 1.4(b) and 1.4(c) above;
 - i) determine whether or not to amend any proposal as appropriate prior to implementation;
 - ii) determine whether or not a further report needs to be considered by Cabinet or the relevant officer or portfolio holder before a final decision is taken on implementation; and
 - iii) where a decision is taken not to proceed with any savings proposal then alternative proposal(s) will be brought forward for consideration.
- 1.5. In relation to those savings proposals that are significantly cross cutting across more than one council service, authorises the Executive Director or Director with primary responsibility for the savings proposal in question to complete any required equalities analysis assessments and to consider the outcome of such equalities analysis assessments, and any other cross-cutting implications, following consultation with the Executive Directors or Directors of the other services significantly impacted by the proposals, prior to taking any decisions to implement such savings proposals.
- 1.6. Notes in relation to the authorisations given in 1.4 and 1.5 above that where appropriate any key decisions will be brought back to Cabinet.
- 1.7. Notes the latest Medium-Term Financial Strategy (MTFS) for 2020/21 to 2023/24 (section 4);

1.8. Approves £11.571m of revenue growth items for 2020/21 to 2023/24 (paragraph 5.2.2 and appendix 3) and £17.639m of capital growth (section 8 and appendix 6);

1.9. Notes that the council is in a position to agree a balanced budget for 2020/21 and that any remaining budget gap following the Council Tax decision by Full Council on 25 February 2020 will be closed using reserves.

Fees and Charges

1.10. Approves the schedule of fees and charges for 2020/21 (paragraph 5.3 and Appendix 10);

Council Tax

1.11. Considers the officer recommendation of an increase of 2% for the Social Care Precept and an increase of 1.99% for Council Tax in 2020/21 (paragraph 4.4.1) for recommendation to Full Council on 25 February 2020;

London Business Rates Pool

1.12. Notes the update regarding the new London Business Rates Pool Pilot for 1 April 2020 to 31 March 2021 (paragraph 5.10).

1.13. Authorise the Chief Finance Officer (Section 151) to consider and agree, following consultation with the portfolio holder for Finance and Leisure and the Leader and the Director of Legal and Democratic Services, to take on behalf of the Council any actions necessary for the Council to continue to participate in the new London Business Rates Pool.

Business Rates Discount

1.14. Approves that, pursuant to the Council's powers under Section 47 of the Local Government Finance Act 1988, for 2020/201, 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 and extend the offer to new applicants (paragraph 5.16.2).

1.15. Authorises the Chief Finance Officer (Section 151) to make determinations in relation to applications for such NNDR discounts, in accordance with the council's adopted criteria.

Schools Budget

1.16. Notes the outcome of 2020/21 School Funding Formula changes as agreed by Schools Forum (Section 6) and authorises the Chief Finance Officer (Section 151) to consider and, following consultation with the portfolio holder for Finance and Leisure to take on behalf of the Council any actions necessary for

the Council to fulfil new requirements for Dedicated Schools Grant (DSG) budgets.

Housing Revenue Account (HRA)

- 1.17. Notes the 2020/21 HRA revenue budget for 2020/21, as approved by Cabinet on 21 January 2020 (Section 7).

Capital Programme 2020/21 – 2024/25

- 1.18. Notes the new General Fund capital programme additions totalling £17.639m to be approved by Full Council on 25 February 2020 (section 8 and Appendix 6);

- 1.19. Notes the capital programme additions relating to the HRA (section 7) that were considered as part of the HRA Business Plan by Cabinet in January 2020.

- 1.20. **Endorses and approves the following recommendations to Full Council, on 25 February 2020, that it:**

1. Revenue Budget 2020/21 and Medium-Term Financial Strategy 2020/21 to 2023/24

- a) Considers and approves the Revenue Budget for 2020/21 as summarised in Appendix 1
- b) Considers the advice of the Chief Finance Officer (Section 151) on the levels of reserves and robustness of estimates in setting the budget as required by Section 25 of the Local Government Act 2003 (section 10)
- c) Notes the financial risks and pressures set out in the report (section 4 and section 14)
- d) Approves the Parking Account 2020/21 (paragraph 5.18 and Appendix 4)
- e) Approves the draft Schools budget of £277.713m and agrees that any changes to the budget reasonably required as a result of the final 2020/21 DSG settlement are delegated for decision to the Executive Director of Children, Adults & Public Health following consultation with the Chief Finance Officer (Section 151) (section 6)
- f) Approves for the Chief Finance Officer (Section 151) to agree appropriate actions to comply with the revised DSG guidance, including agreeing the appropriate Deficit Recovery plan for DSG (section 6)
- g) Notes that the General Fund balance is scheduled to remain the same at £15.919m for 2020/21 and notes the forecast levels of earmarked reserves (section 10 and Appendix 5)

2. Capital Programme 2020/21 – 2024/25

- a) Approves the new General Fund capital programme additions totalling £17.639m (paragraph 8.3 and Appendix 6)
- b) Approves the revised Capital Programme of £932.480m (before additions), as set out in section 8 and Appendix 7

3. Capital Strategy, Treasury Management and Pension Fund

- a) Approves the Treasury Management Strategy including the associated Prudential Indicators and Annual Investment Strategy (section 9 and Appendix 9)
- b) Approves the Treasury Management Policy Statement (Appendix 9)
- c) Notes the Chief Finance Officer (Section 151) will implement the Treasury Management Strategy under existing officer delegated powers (Appendix 9)
- d) Approves the Minimum Revenue Provision (MRP) policy (Appendix 9)
- e) Notes that the Council manages the cash on behalf of the Pension Fund and West London Waste Authority in accordance with the Treasury Management Strategy (Appendix 9)
- f) Approves the Capital Strategy (Appendix 8)
- g) Approves the Flexible Capital Receipts policy (Appendix 8)

4. Council Tax and Business Rates

- a) Approves officer recommendation of an increase of 2% for the Social Care Precept and an increase of 1.99% for Council Tax in 2020/21 (paragraph 4.4.1)
- b) Notes the Greater London Authority (GLA) Band D precept of £332.07 for 2020/21 (paragraph 5.6.2)
- c) Notes that the Chief Finance Officer (Section 151) calculated under delegated authority on 31 January 2020 the amount of 116,838.0 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 2020/21; in accordance with regulation 3 of the Local Authorities Calculation of Council Tax Base Regulations 1992 as amended made under Section 335 and 344 of the Local Government Finance Act 1992 (paragraph 5.7)
- d) Notes the forecast Collection Fund position for 2019/20 (paragraph 5.8)
- e) Notes the Council's share of the business rates income forecast for 2020/21, as approved by the Chief Finance Officer (Section 151) (paragraph 5.9.1 and appendix 1)
- f) Approves charge of a 200% premium (increased from 100% extra) on top of standard tax council for properties which have been empty for more than 5 years with effect from 1st April 2020 (paragraph 5.7.7)

2. Reason for Decision and Options Considered

- 2.1. This is the final update report to Members on the 2020/21 Budget and Medium-Term Financial Strategy (MTFS). It finalises the position since the last budget strategy report to Cabinet in December 2019 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 25

February 2020.

- 2.2. The Council has continued to invest in services that experience significant and continued demand pressures, with prioritisation being given to the most vulnerable groups. Due to the complexity of the service provision, against the backdrop of continuing declined funding notwithstanding the indicative projected increase in funding as a result of the provisional finance settlement, these services continue to experience budget pressures.
- 2.3. The proposals in this report will contribute to the savings agreed in the budget strategy. Some of the savings proposals will have more detailed implications which will only emerge following consultation. Where this is the case those detailed implications will be considered before a final decision is taken on whether or not to implement the proposal, including whether or not a proposal should be amended prior to implementation. Where proposals when considered in more detail result in a lower financial saving, it is the responsibility of the department to find alternative savings to the equivalent value to replace the reduced amount.
- 2.4. Any appropriate consultation in relation to proposals will be carried out as required and in accordance with the council's legal duties and responsibilities.

3. Approach to Budget Setting

- 3.1. The Council's approach to setting the budget was originally set out in the Budget Strategy Report to Cabinet on 16 July 2019. Subsequently, Cabinet have been presented with an updated MTFs and Budget Strategy on 15 October 2019 and 10 December 2019.

3.2. Delivering the Administration's Priorities

- 3.2.1. The budget process is priority-led, aligning the allocation of resources with the priorities of the Administration. There three key Administration priorities for Ealing covering the 2018/19 to 2021/22 period are:

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

- 3.2.2. These are supported by nine priority areas which previously have been agreed with local partners in health, education, policing, employment, housing, local businesses and voluntary and community organisations which are delivered through the Future Ealing programme. The nine ways to make the borough better 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.

3.2.3. Contributing to the achievement of the priorities are several significant delivery programmes, notably:

- The Housing Delivery Programme that along with partners has delivered 992 (40%) of the 2,500 genuinely affordable homes target;
- The Better Lives programme for adult social care transformation that has contributed to stemming the increasing demand of residents in need of care through early intervention and strength-based assessment;
- The Future Working programme to redevelop the Council's headquarters delivering housing and a more efficient operating environment for staff; and
- 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 whilst at the same time allowing for strong financial performance (as shown by the delivery of a balanced budget in 2018/19).

3.2.4. Despite challenges over the last decade the Council has been able to invest £18.5m back into council services for the following priorities in 2020/21:

- Waste Service (Greener Ealing) - £5.350m.
- Special Education Needs (SEND) - £4.650m (subject to the outcome of the new government consultation)
- Highways and Footways - £5.000m
- Children's with disabilities transitioning into adulthood – £0.600m
- Making council properties fire safe and safety compliant - £2.895m

3.3. **2020/21 Budget Approach**

3.3.1. The Council has continued to use Future Ealing as a vehicle for delivering the 2020/21 and future years budget strategy.

3.3.2. The Future Ealing budget strategy contains three main strands:

a) **Future Ealing Outcomes**

Continued drive on Future Ealing outcomes and the associated savings that this approach brings. For 2020/21 in addition to the continued delivery of the existing commitments and activities specific areas of focus included;

- Genuinely Affordable Housing
- Better Lives Phase 2
- Waste Services
- Skills and Employment
- All Age Disability
- Ealing Learning Partnership
- Neighbourhoods and Sports Centres
- Council Tax Support/Discount
- Environmental Services

b) **Future Ealing Cross Cutting and Commercial**

This is an enhanced focus on cross cutting and commercial opportunities including asset usage. In part, this approach looks to build upon the success of workstreams implemented and delivering in 2019/20 and in part recognising that all options and opportunities need to be pursued to ensure outcomes can be protected. For 2020/21, a particular emphasis has been given to cross cutting and commercial strands at levels higher than those seen in previous years. Within this approach, there were four main workstreams (all with more specific sub workstreams) which formed the core of the approach:

- 1) **Commercial** – a targeted approach of reviewing contracts and all new procurements supported by the Commercial Hub team. This has led to significant savings that have driven the sustainable and balanced budget as set out in this report. The review of fees and charges also sat as a workstream within this approach.
- 2) **Assets** – a review of all asset utilisation to ensure optimal use with a through flow into alternative asset use that can contribute to both the financial challenge and the delivery of genuinely affordable homes.
- 3) **Efficiency** – a cross council review of all back office and associated processes not covered in previous reviews with a focus on end to end processes and use of technology to unlock savings opportunities.
- 4) **Digital** – the continued drive to make best use of the new Microsoft digital platform and reviewing all the associated processes and feeder systems and hand offs.

c) **Maximisation of Income**

Maximising the income available through Council Tax, precepting powers and from Business Rates.

3.4. 2020/21 Budget Process

- 3.4.1. Over the last year the Council has been working to close the forecasted budget gap of £19.275m for 2020/21, as approved by Cabinet in February 2019. The last update to Cabinet in December 2019 showed a revised indicative budget gap of £11.196m.
- 3.4.2. As part of the budget process, Future Ealing service outcomes cross cutting and commercial reviews have made significant contribution to addressing the MTFS challenge and the benefits arising from them will cover the entire MTFS period. The table below summarises how the Council is looking to close the 2020/21 budget gap.

Table 1: 2020/21 Indicative Budget Gap as at February 2020

2020/21 Budget Gap as at February 2020	2020/21 £M
Budget Gap at December 2019	11.196
Savings (appendix 2b)	(2.216)
Subtotal: Budget Gap including FE process	8.980
Updated grant income assumptions following Provisional Finance Settlement	(2.079)
Corporate Management Actions	(3.000)
Updated income assumptions for Council Tax and Business Rates	(3.901)
Indicative Budget Gap 2020/21 at February 2020	0.000

4. Medium-Term Financial Strategy (MTFS)

4.1. Financial Context and Overview

- 4.1.1. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the Council to achieve its vision and strategic objectives. It reflects the impact of 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. Although in broad terms the provisional settlement announcements have been positive for local government, there still is a high degree of uncertainty of what the settlement will be beyond 2020/21 due to only one-year settlement being confirmed. This alongside the ongoing government consultations in grant

funding, business rates baseline funding reset and the Fair Funding Review mean there is considerable uncertainty regarding councils funding over the medium term.

- 4.1.3. By design the MTFS is agile 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 (section 4). Members are asked to consider and agree the updated MTFS for 2020/21 and beyond as set out in table below, noting that the Council, in common with all local authorities, continues to face a challenging financial outlook. 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. Over the last MTFS period the Council's budget approach has been very much on delivering efficiencies in order to deliver a balanced budget in the face of government cuts. At the end of this period the Council has been successful in delivering a savings programme without adversely impacting on the most vulnerable. The MTFS has also been successful in building investment opportunities that have allowed the Council to adequately fund growth pressures resulting from both demographical pressures and also changing in needs of its vulnerable residents. This very much has been the case for managing Ealing's social care pressures, with the Council using its precept powers to raise additional council tax income.
- 4.1.5. Whilst there is uncertainty around local government future funding regime(s), the Council with its Future Ealing programme can look towards the future strategy being driven by growth needs. This will enable the Council to support delivery of its key priorities, as previously mentioned, but also it can look to have in place a strategy that can fund adequately the continuing growth relating to increase in number of children with high needs, increase in the number of vulnerable residents requiring housing and social care, working towards a more sustainable borough and delivering the waste service.
- 4.1.6. Table below summarises the MTFS forecast (including budget gap) for the period 2020/21 to 2023/24.

Table 2: Medium Term Financial Strategy Summary

MTFS 2020/21 to 2023/24	2020/21	2021/22	2022/23	2023/24
	£M	£M	£M	£M
Funding	(247.960)	(248.107)	(249.511)	(250.929)
Net Services Expenditure	183.820	180.935	179.383	178.726
Levies	29.884	30.043	30.293	30.593
Inflation	2.745	7.645	12.645	17.645
Contingency	1.000	2.000	3.000	3.000
Corporate Items	18.026	26.027	33.609	41.308

MTFS 2020/21 to 2023/24	2020/21	2021/22	2022/23	2023/24
	£M	£M	£M	£M
Treasury Management	39.190	38.811	40.460	41.460
Grants Held Centrally	(26.705)	(24.248)	(24.248)	(24.248)
Net Centrally Held Budgets	64.140	80.278	95.759	109.758
Net Budget Requirement	247.960	261.213	275.142	288.484
Contributions to (+) / from (-) reserves	0.000	0.000	0.000	0.000
Net Budget Requirement after Reserves	247.960	261.213	275.142	288.484
Forecasted Budget Gap - Incremental	0.000	13.106	12.526	11.923
Forecasted Budget Gap - Cumulative	0.000	13.106	25.632	37.555

4.2. Principles underpinning the MTFS

- Regular monitoring of budgets and robust management actions to address any unplanned variances that arise in-year.
- Appropriate levels of income generated across all areas of the Council, whilst having in place effective debt management processes that allow for prompt collection of sums owed to the Council.
- Prudent assessment of future resources and unfunded cost pressures.
- Production of detailed implementation plans for all savings proposals.
- Maximisation of external grant funding that meets council's priorities.
- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances held to mitigate potential financial liabilities and commitments.
- Prudent and planned use of reserves to fund expenditure.
- Maximisation of capital receipts from disposals.
- Effective forecasting and management of the council's cash flow requirements.
- Full integration of revenue and capital financial decision processes, to ensure the revenue implications of capital projects are appropriately reflected in the MTFS.
- Effective management of treasury management risks, including smoothing out the debt maturity profile and borrowing only when necessary (in accordance with Treasury and Capital Strategies).
- Prudent and proportional use of the council's borrowing powers to undertake capital investment that is not funded by capital receipts or contributions from third parties.

4.3. Finance Settlement

- 4.3.1. The provisional local government finance settlement was announced on 20 December 2019 for one-year only and reconfirmed previous announcements

included within the 2019 Spending Round (September 2019) and the local government technical consultation (October 2019). The provisional settlement included the following key announcements:

- a) Health and Social Care
 - Public Health Grant to be increased in line with CPI.
 - Continuation of a number of specific grants in 2019/20 such as the Adults Winter Pressure Grant, Children's & Adults social care support grant, and Independent living Fund (ILF) grant.
 - New grant for children's and adults social care, equating to an additional £1 billion nationally of which the Council is expected to receive £5.9m.
- b) Education and Skills
 - Continued to implement Schools National Funding Formula (NFF).
 - Schools budget to rise by £2.6 billion in 2020/21.
 - £400m to be made available for Further Education in 2020/21.
- c) Welfare
 - National Living Wage (NLW) to increase from £8.21 to £8.72, whilst the London Living Wage will increase by 20p per hour to £10.75 per hour.
- d) Local Government
 - Councils will receive New Homes Bonus (NHB) legacy payments due from previous years (2017/18 to 2019/20) plus 2020/21 allocation, with growth above 0.4% threshold rewarded. The government is looking to consult on the future of NHB in Spring of 2020 which will inform the decision on future funding.
 - Revenue Support Grant (RSG) to increase in line with CPI.
 - Troubled Families Grant – 2019 Spending Round announced that the allocation for 2020/21 will remain at the 2019/20 levels. Subsequent confirmation to local authorities of their allocation has shown Ealing's allocation for 2020/21 to reduce by £1.423m to £1.104m
- e) Council Tax
 - Councils will be able to increase their core council tax threshold and Adult Social Care precept respectively by 2% each in 2020/21.
- f) Business Rates
 - Retained Business Rates to increase in line with CPI.
 - Cessation of London Business Rates Pilot Pool at the end of 2019/20,
 - London will revert back to the 2017/18 retained share of 67% (GLA retaining 37% and Ealing retaining 30%).

4.3.2. The financial strategy detailed in this report is the Council's response to managing demographic and demand led pressures faced by Ealing services whilst considering the impact of upcoming government funding changes, details of which are yet to be confirmed e.g. Fair Funding review, Business Rates Baseline Reset, NHB, DSG.

4.3.3. Whilst the Council has seen an increase in the funding from central government in 2020/21, many service pressures continue to increase. Social care and SEND 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 £0.212m per day (equivalent to £6.448m per month) providing care for eligible residents.

4.4. Budget Planning Assumptions

Council Tax and Social Care Precept Options

4.4.1. The MTFS assumes council tax will be raised by the officer recommended maximum 3.99% (including a 2% rise in the social care precept) in 2020/21. This will increase the level of Ealing’s council tax from £1,512.12 to £1,571.22 at Band D. No council tax increases are assumed in future years. However, it should be noted that the Council Tax level is subject to an annual Full Council decision which may vary from this assumption. As such, the MTFS assumes no increases to council tax beyond 2020/21.

4.4.2. Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2020/21 is 2% for core Council Tax and up to 2% for the Social Care Precept.

4.4.3. The financial value of additional income to Ealing of each 1% increase in Council Tax is approximately £1.4m. The table below shows the weekly impact of each rise on the Band D value of Council Tax.

Table 3: Council Tax Scenarios

Council Tax Precept Increase (including Social Care Precept)	Ealing Band D Council Tax (£)	Weekly Band D Increase Impact
0.00%	1,191.61	0
1.00%	1,203.53	22.8p
2.00%	1,215.44	45.6p
3.00%	1,227.36	68.4p
3.99%	1,239.15	90.9p

Retained Business Rates

4.4.4. London Councils’ Leaders Committee and the Mayor of London agreed to continue pooling despite the loss of the pilot status, with the Mayor agreeing to forego any financial benefit. Leaders also agreed to share any net financial benefit between all 32 boroughs and the City of London in line with the current distribution formula excluding the Strategic Investment Pot (SIP), which is to

be discontinued.

- 4.4.5. Following approval by Cabinet in December 2019 the Council have signed a revised Memorandum of Understanding (MOU) to participate in the new London Business Rate Pool arrangements.
- 4.4.6. From 1 April 2020 the participating authorities will retain 67% of the business rates income (37% GLA and 30% Ealing's share). The "safety net" threshold for the new pool will revert to 92.5% (compared to 95% in 2019/20) in line with the lower level of retention. The new pool – unlike the pilot pools – will pay an aggregate levy on growth. The financial benefit of the new pool arrangement arises from the fact that this aggregate levy will be less than the sum of those that would be paid by individual authorities if there were no pool.
- 4.4.7. Where there is sufficient retained income in the pool to guarantee it, each of the participating authorities shall receive at least as much from the Pool as they would have individually under the non-pooled 67% retention scheme.
- 4.4.8. The MTFs assumes no additional benefit from the new pool arrangements. The assumption reflects the level of financial risk and uncertainty of future funding and to limit any impact in future years as seen in 2020/21 following cessation of the London Business Rates Pilot Pool. Any actual benefit the Council is to realise will be accounted in its final accounts at the end of 2020/21.

Government Grants

- 4.4.9. The provisional finance settlement confirmed allocation of the following grants details of the grants and MTFs assumptions are summarised below:

a) *New Homes Bonus (NHB)*

The government have only confirmed the 2020/21 funding and confirmed that there will be no future payments resulting from 2020/21 in-year growth. A consultation is planned to be launched in Spring of 2020 to discuss future funding and grant allocation methodology.

b) *Improved Better Care Fund (iBCF)*

The provisional finance settlement confirmed the Council's final allocation of iBCF for 2020/21 which has increased by £1.4m. The increase is relating to the 2019/20 Winter Pressures grant being rolled up under the iBCF. Councils are able to spend the grant as soon as plans have been locally agreed with Clinical Commissioning Groups (CCG). Ealing has agreed a local plan and the funding will be used to support the delivery of adult social care placements

c) *New Children's and Adults Social Care Grant*

In 2019/20 the Council received a £2.422m allocation for children's and

adults support grant. For 2020/21 the provisional settlement announced an additional allocation for supporting social care. Ealing's allocation for 2020/21 is £8.3m which incorporates the 2019/20 funding. The MTFS assumes that this grant will continue.

Table 4: Grants Held Centrally

Grant	2019/20 Budget £M	MTFS Forecast £M			
		2020/21	2021/23	2023/24	2024/25
New Homes Bonus	4.123	6.076	3.619	3.619	3.619
Improved Better Care Fund	10.889	12.307	12.307	12.307	12.307
Winter Pressures Grant	1.418	0.000	0.000	0.000	0.000
New Children's and Adults Social Care Grant	2.422	8.322	8.322	8.322	8.322
Total	18.852	26.705	24.248	24.248	24.248

Budget Factors

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

Table 5: Factors that are likely to impact the Budget

Factors	Impact
Delivery of agreed savings	The budget for 2020/21 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. At the time of setting the budget for 2020/21 the pay award is unknown. The MTFS has assumed pay increase to be at same level as 2019/20 estimated to be c£2.4m leaving a small central pot to allocate for any price inflation.
Pay inflation and associated on-costs	This can result in additional pressures on schools' budgets that can lead to pressures manifesting through either increase in school deficits and/or DSG overspend.
Contractual risks	For example, contractor viability, non-delivery of commissioned services
Demographic and demand-led pressures	a) Children's and Adults Service 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: <ul style="list-style-type: none"> Adults – Residents are living longer, and many have increasingly complex care needs. Although the council has good monitoring and

Factors	Impact
	<p>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.</p> <ul style="list-style-type: none"> • 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. <p>b) 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.</p>
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 rental (HRA and temporary accommodation), planning, property and car park income. In addition, leisure services income could reduce.
School Expansions	Pressures caused by steeply increasing pupil numbers. Lack of adequate places in borough would lead to increase in out of borough placements, which can lead to pressures being seen across the SEN placement and transport budgets.
Academisation	Pressures caused by schools who are required to move to Academy status and the resultant financial liability upon transfer being the responsibility of the Council i.e. the Council having to fund any school deficit balances upon transfer.
Legal Challenge over 'sleep-in' payments	Legal Challenge over backdated pay relating to sleep-ins for social care residential settings.
Levies paid to external bodies	<p>Levy payments are outside the Council's control and need to be met from its budget requirement. Key cost drivers leading to any budget pressure will be due to;</p> <ul style="list-style-type: none"> • volume-led levy payments such as the West London Waste 'Pay As You Through' (PAYT) • inflation and cost increases above inflation assumed within the MTFs
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.
Government Grant income differing from assumptions	With the Local Government Finance Settlement only announcing one-year funding announcements it is difficult to ascertain if grants are to continue at what level and its impact. The government has announced a consultation in Spring 2020 to set out future funding proposals for 'New Homes Bonus'.

Factors	Impact
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.
Fair Funding Review and Business Rates Baseline Reset	Central government is fundamentally reviewing funding baselines and allocation formulae for all local authorities for implementation in April 2021. This means there is significant uncertainty regarding Ealing's funding baselines for future years.
Brexit	The financial impact of Brexit is not yet fully known but impacts driven through supply chain could 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.

4.5. Monitoring and Review

- 4.5.1. Cabinet receives regular budget update reports during the year on how the Council is progressing against its MTFS. All processes and procedures relating to the monitoring of the budget are set out in the Council's Financial Regulations.
- 4.5.2. The strategy is published on the Council's website and communicated to staff and stakeholders.

5. 2020/21 General Fund Revenue Budget

5.1. 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. Appendix 1 provides a summary of the 2020/21 Revenue Budget.

5.2. 2020/21 Budget Assumptions

5.2.1. Budgets reflecting cost increases identified between 2019/20 and 2020/21 have been prepared in consultation with the Chief Finance Officer (Section 151), Strategic Leadership Team (SLT), service budget leads and other officers within the Council's departments. For 2020/21 there has been no automatic inflationary increase of budgets. The assumptions are set out below:

- a) Inflation – the overall inflation fund set aside centrally is for both pay and contractual inflation. Pay increase will be prioritised against the funds initially with the remaining budget being made available to fund any

contractual increases. The Commercial Hub will lead on reviewing and assessing the contractual inflation and upon their recommendation appropriate inflation will have to be applied.

- b) 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 (except for those that are set under statute or subsidised).

Growth Proposals

5.2.2. Service budget growth proposals have been considered as part of the Future Ealing budget review process. As part of this process budget growth proposals of £11.571m for 2020/21 to 2023/24 are included in the proposals to be approved by Cabinet. Details are provided at Appendix 3.

5.2.3. 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 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 Saving proposals

5.2.4. Members should note that the net savings proposals are presented as incremental changes to the 2020/21 base budget. Each subsequent year's proposals are then shown as incremental changes to the preceding year.

5.2.5. Officers have continued to work on proposals to close the gap across a range of Future Ealing Outcomes and specific service programmes. In total there are £13.634m of savings agreed or proposed as part of this report, of which £8.878m relate to the General Fund. Details of previously approved savings are contained with Appendix 2a with further saving proposals now presented for approval at this meeting are set out in Tables 6 - 8 and Appendix 2b.

Table 6: Summary of Saving Proposals

Savings	2020/21	2021/22	2022/23	2023/24	Total MTFS Savings
	£M	£M	£M	£M	£M
General Fund Savings	(2.216)	0.009	(0.093)	0.000	(2.300)
Funded from Grants	0.000	0.000	0.000	0.000	0.000
Funded from HRA	(0.033)	0.033	0.000	0.000	0.000
Net Savings	(2.249)	0.042	(0.093)	0.000	(2.300)

Table 7: Net Saving Proposals relating to General Fund

Outcome Review / Modern Council	2020/21	2021/22	2022/23	2023/24	Total MTFS Savings
	£M	£M	£M	£M	£M
Outcome Reviews					
Better Lives 2	(0.450)	0.000	0.000	0.000	(0.450)
Environment Services					0.000
sub-total	(0.450)	0.000	0.000	0.000	(0.450)
Modern Council					
Efficiency	(0.300)	0.300	0.000	0.000	0.000
Assets	(0.217)	0.065	0.100	0.000	(0.052)
Commercial	(1.249)	(0.356)	(0.193)	0.000	(1.798)
sub-total	(1.766)	0.009	(0.093)	0.000	(1.850)
Total General Fund	(2.216)	0.009	(0.093)	0.000	(2.300)

- 5.2.6. The savings included in Table 7 above show savings net of investment requirement delivered through the General Fund. Whilst Table 8 below shows funded from the Housing Revenue Account (HRA).

Table 8: Grant and HRA Funded Proposals

Outcome Review / Modern Council	2020/21	2021/22	2022/23	2023/24	Total MTFS Savings
	£M	£M	£M	£M	£M
Funded from HRA					
Assets	(0.033)	0.033	0.000	0.000	0.000
sub-total	(0.033)	0.033	0.000	0.000	0.000
Total	(0.033)	0.033	0.000	0.000	0.000

5.3. Fees and Charges

- 5.3.1. The council charges for a range of services. Approval of fees and charges is dependent on relevant legislation so decisions may be made by Cabinet, General Purposes Committee or by officer decision under delegated authority.
- 5.3.2. Any significant changes must take account, from an equalities perspective, the impact on paying customers of not only the proposed change in question but also of changes to other council fees and charges for which that individual may be liable.
- 5.3.3. All fees and charges have been subject to review as part of the 2020/21 budget process. A variation of changes is being recommended for a range of fees and charges in response to cost inflation pressures on the underlying service

delivery budgets. As part of the FE programme, further reviews are planned during 2020/21 to assess the extent of full cost recovery.

5.3.4. The proposed fees and charges schedule for 2020/21 is attached as Appendix 10.

5.4. **Specific Grants**

5.4.1. In 2019/20, Ealing received approximately £71.6m in specific government grants excluding DSG, housing benefit payments and monies for Public Health responsibilities.

5.4.2. At this point, not all government grants have been announced for 2020/21. Ealing is therefore awaiting notification of what some grants will be in 2020/21 e.g.;

- Homelessness allocation - additional national funding of £54m was announced for 2020/21 to help reduce homelessness and rough sleeping; and
- Discretionary Housing Payments (DHP) - £40m of additional national funding announced for 2020/21.

5.5. **Levies**

5.5.1. Levies in 2020/21 make up 12% of the Council's net budget. Set out in Table 9 are details of the levies which, although outside of the Council's direct control, need to be considered when setting the budget and council tax. At the time of writing final figures are still awaited; any adverse changes will be met by a balancing adjustment on council-wide budgets held centrally.

Table 9: Provisional Levies Budget

Authority	2019/20 Budget £M	2020/21 Indicative £M	Movement		Provisional / Final
			£M	%	
Concessionary Fares	15.505	15.614	0.109	0.37%	Provisional
West London Waste Authority	12.683	12.827	0.144	1.14%	Provisional
London Pension Fund Authority	0.428	0.431	0.003	0.01%	Provisional
Coroners Service	0.441	0.444	0.003	0.01%	Provisional
Lee Valley Regional Park Authority	0.299	0.301	0.002	0.01%	Provisional
National Rivers Authority	0.265	0.267	0.002	0.01%	Provisional
Total	29.621	29.884	0.263	0.89%	

5.6. Greater London Authority Precept

5.6.1. The Mayor of London issued a consultation document in 28 January 2020 proposing an increase in the council tax precept of £11.56 from the 2019/20 level of £320.51 per Band D council taxpayer, rising to £332.07 in 2020/21. The precept represents 21.13% of the overall headline council tax bill. At the time of writing the Greater London Authority's (GLA) final draft budget is scheduled to be considered by the London Assembly on 24 February 2020. 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 25 February 2020. Otherwise, the amounts in this report are final.

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

Table 10: GLA Proposed 2020/21 Council Tax by Band D

Valuation Band	A	B	C	D	E	F	G	H
£	£221.38	£258.28	£295.17	£332.07	£405.86	£479.66	£553.45	£664.14

5.7. Council Tax

Council Tax Base

5.7.1. The council tax base is the number of properties in Bands A-H in the borough expressed as an equivalent number of Band D units. The Chief Finance Officer (Section 151) has calculated under delegated authority in January 2020 the amount of 116,838.0 as the council tax base for the year 2020/21, based on an outturn collection rate of 98%, increased by 0.3% from 2019/20. The change in the collection rate reflects the in-year performance.

Council Tax Increase 2020/21

5.7.2. Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2020/21 is 2% for core Council Tax and 2% for the Social Care Precept.

5.7.3. Final decisions on the budget and council tax will be taken on 25 February 2020 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 Chief Finance Officer (Section 151) on the robustness of the budget and on reserves and balances.

5.7.4. Over the last decade the Council has successfully delivered low council tax levels significantly below both the national and outer London average and high-quality services with 2018/19 being the first rise in Ealing's element of Council Tax in eight years. However, for 2020/21, in order to deliver a balanced budget, the MTFs is based on a recommended increase of the Adult Social Care

Precept by 2% and the core Council Tax by 1.99%. 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 £5.554m but this not sufficient to replace lost government funding such as the government’s decision to end the London Business Rates Pilot Pool, or to compensate for increased pressures across social care, SEND and housing.

- 5.7.5. Table 11 sets out the Indicative Basic Amounts of Ealing's council tax for 2020/21 excluding GLA based on the 2% Social Care Precept increase plus a 1.99% Council Tax increase. Officers recommend that this increase is necessary to mitigate the impacts of inflationary cost pressures and social care growth.

Table 11: Ealing’s Proposed 2020/21 Council Tax by Band D

Valuation Band	A	B	C	D	E	F	G	H
£	£826.10	£963.78	£1,101.47	£1,239.15	£1,514.52	£1,789.88	£2,065.25	£2,478.30

- 5.7.6. For every 1% increase in the 2020/21 council tax, an additional £1.392m council tax revenue is raised and therefore for every 1% variation in the proposed council tax increase, further savings of £1.392m would be required.

Council Tax Empty Property Premium

- 5.7.7. 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.
- 5.7.8. In 2018 the Government announced the extension of the empty property premium to double the amount of the premium to be levied and allow 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.
- 5.7.9. This charge could be levied on all long-term empty properties that had been empty for more than 2 years. Full Council on 26 February 2019 agreed to charge a 100% premium (increased from 50% extra) on top of standard council tax for properties which have been empty for more than 2 years with effect from 1st April 2019.
- 5.7.10. Further to this change, the new Government Bill introduced formal legislation for this premium to be extended to allow authorities to charge a 200% premium from April 2020 for properties empty over 5 years and then 300% premium

from April 2021 for properties empty over 10 years.

- 5.7.11. From April 2020 Local Authorities will in addition to the 100% premium being charged on properties empty over 2 years be able (subject to Full Council resolution) charge a further 100% (300% in total) for those properties empty for more than 5 years.
- 5.7.12. The recommendation is to extend the Empty Property Premium Charge to 200% premium for those properties empty for more than 5 years.

Localised Council Tax Reduction Scheme (replacing previous Local Council Tax Support Scheme)

- 5.7.13. The current means tested Council Tax Support scheme is being replaced by an income-based Council Tax Reduction (CTR) scheme from 1 April 2020 for working age claimants. Pensioners are not affected by the change as their entitlement continues to be calculated under the regulations prescribed by the Government.
- 5.7.14. The current Council Tax Support (CTS) is calculated in a very similar way to the national Council Tax Benefit which ended in March 2013. The calculation is complex, and residents do not usually know whether they would be entitled to any support unless advised by professionals such as Council staff, DWP, or specialist advisory service. This prevents take up and creates dependency on the Council's front-line services.
- 5.7.15. An income banded scheme is simple and transparent as it only takes into account household's income. The entitlement is calculated depending on which income band the household falls into and a percentage of the council tax liability is then awarded. The award is only adjusted if the change in income puts the claimant in a different income band thus reducing the number of reassessments required.
- 5.7.16. Key features of the new scheme:

- 1. **Key feature 1:** Entitlement to CTR to be calculated based on income bands and on the net income of the applicant and their partner (if they live with one).

Vulnerable and Household Vulnerable groups will be merged into one Protected category.

The proposed scheme will keep the maximum 100% reduction for applicants who fall into the protected category and 75% for all other applicants.

Those who are not in employment will fall into the lowest income band and will automatically be entitled to maximum CTR. Those with earnings will

be awarded a percentage of Council Tax liability depending on their income and income band they fall into. (For full details of the scheme, please refer to December 2019 Cabinet Report).

2. **Key feature 2:** Simplifications of non-dependent deductions and reduction of number of deductions (dependent on non-dependants' income) from 5 to 3.
3. **Key feature 3:** Under the proposal the current five earning disregards (amount of money ignored from the earned income) will be replaced with one universal earning disregard for couples and households with children. The earnings disregard does not apply to single persons as the income bands under the proposed scheme are more generous for singles than the means test under the current scheme

5.7.17. Full Council will be considering the decision to adopting the new scheme from 1 April 2020 at the Full Council meeting on 25 February 2020.

5.8. **Collection Fund**

5.8.1. The projected surplus on the collection fund in relation to council tax at 31 March 2020 is £1.562m, which has to be apportioned between the Council £1.231m and the GLA £0.331m. The council's share has been added to the resources available to the council's General Fund in 2020/21.

5.8.2. The projected surplus on the collection fund in relation to business rates at 31 March 2020 is £0.603m, which has to be apportioned between the Council £0.012m, central government £0.584m, GLA £0.007m and the London Business Rates Pool £0.000m. The council's shares have been added to the resources available to the council's General Fund in 2020/21.

5.9. **Business Rates**

Current London Business Rates Pool Pilot

5.9.1. 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.

5.9.2. In 2018/19 the Council participated in a pool pilot across London. In 2018/19 the London Business Rates Pilot Pool was retaining 100% of the business rates collected across London with Ealing retaining a 64% share. In 2019/20 the government had changed the terms of the pilot scheme which meant London moving to a 75% retained scheme. In 2019/20 the Council is retaining a 48% share.

5.9.3. Within the 2019 Spending Round the government announced the London Business Rates Pilot Pool would stop on 31 March 2020.

New London Business Rates Pool

- 5.10. In October, London Councils' Leaders Committee and the Mayor of London agreed to continue pooling despite the loss of the pilot status, with the Mayor agreeing to forego any financial benefit. Leaders also agreed to share any net financial benefit between all 32 boroughs and the City of London in line with the current distribution formula excluding the Strategic Investment Pot (SIP), which is to be discontinued.
- 5.11. From 1 April 2020 the participating authorities will retain 67% of the business rates income. The "safety net" threshold for the new pool will revert to 92.5% (compared to 95% in 2019/20) in line with the lower level of retention. The new pool – unlike the pilot pools – will pay an aggregate levy on growth. The financial benefit of the new pool arrangement arises from the fact that this aggregate levy will be less than the sum of those that would be paid by individual authorities if there were no pool.
- 5.12. Where there is sufficient retained income in the pool to guarantee it, each of the participating authorities shall receive at least as much from the Pool as they would have individually under the non-pooled 67% retention scheme. Any net additional benefit through growth will be distributed through the redistribution pots agreed by participating authorities in the former Business Rates Pilots – adjusted for the fact that there will be no Strategic Investment Pot – namely an incentive growth pot.
- 5.13. The original pilot pool was underpinned by the principle - underwritten in 2018/19 by a "no detriment" guarantee from Government - that no participating authority could be worse off than it would otherwise be. In a "non-pilot" pool it is not possible to offer such a guarantee. This was technically the case in the current 75% pilot pool - although the scale of financial benefit made the possibility of boroughs being worse off very unlikely. It is also true of the all the other non-pilot pools across the country.
- 5.14. While more likely in a 67% non-pilot pool, there would need to be a significant downturn for the pool not to be able to ensure that each borough was not worse off than it would otherwise be. Modelling undertaken by London Councils suggests that a reduction across the pool of 4.8% compared with the current forecast would have to occur (a fall in overall rates of around £400 million) for this to be the case. In the context of annual real terms growth of over 2% per annum in the 6 years since the start of the scheme, this is unlikely.
- 5.15. The Corporation of the City of London will remain the Lead Authority and accountable body to Government. A revised Memorandum of Understanding (MOU) was issued to Participating Authorities and Ealing has signed this off. The provisional Local Government Finance Settlement confirmed London will be reverting back to 67% share (37% GLA and 30% Ealing). Participating

Authorities had 28 days after the provisional Local Government Finance Settlement was released on 20 December 2019 to withdraw from the pool.

5.16. The current pool arrangements will 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.

5.16.1. The Council has assumed to retain 30% of the estimated business rates for 2020/21 and has made no assumptions with regards to additional benefit being received from participating in the new London Pool.

London Living Wage Business Rates Discretionary Discount

5.16.2. 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 2020.

5.16.3. Approval is now sought to extend the scheme for a further year from 1 April 2020 to 31 March 2021. 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.

5.17. Central Contingency

5.17.1. As part of developing the budget proposals it would be prudent to allow for a contingency within the base revenue budget. This approach is designed to enable the risks associated with the uncertainty and process to be effectively managed. During 2019/20 a central contingency budget of £1.000m was available to be applied to budget issues as they arose during the year. The central contingency budget for next year has remained at £1.000m.

5.18. Parking Account

5.18.1. 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.

5.18.2. The parking contribution to concessionary fares for 2020/21 is £14.251m. A breakdown of the parking account for 2020/21 is provided at Appendix 4.

6. Schools Budget

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

- Dedicated Schools Grant (DSG);
- Pupil Premium Grant (PPG)
- Universal Infant Schools Meals (UIFSM)
- Teachers Pay Grant
- Teachers Employer Pension Contribution Grant

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

6.3. Dedicated Schools Grant (DSG) Allocation

6.3.1. The DSG is a specific ring-fenced grant to support the schools' budgets. In 2018/19 the National Funding Formula (NFF) was introduced which distributed the Grant according to a formula based on the individual needs and characteristics of every school in the country. 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 2019/20, and it is proposed also for 2020/21.

6.3.2. The DSG is currently split into the following four blocks:

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

6.3.3. In December the government published the Councils 2020/21 DSG allocation.

6.3.4. The table below sets out the 2020/21 DSG indicative budget which has been

consulted and agreed by Schools Forum at the November 2019 and January 2020.

6.3.5. With agreement of the Schools Forum the Council have retained elements of central funding and moved 0.5% of the SB (a continuation of funding agreements made in 2018/19 and 2019/20), from the SB to HNB in 2020/21.

6.3.6. The 2020/21 DSG allocation is set out in the table below.

Table 12: DSG Allocation

DSG Blocks	2019/20*	2020/21	Variance	Status
	£M	£M	£M	
Schools Block	240.672	250.822	10.150	Confirmed
Academy Recoupment	(63.253)	(63.253)	0.000	Confirmed
Subtotal: School Block Allocation	177.419	187.569	10.150	
High Needs Block	53.828	59.293	5.465	Provisional
Central Schools Service Block	3.236	2.964	(0.272)	Confirmed
Early Years Block	27.845	27.887	0.042	Provisional
Total Allocation	262.328	277.713	15.385	

* as at November 2019 update

6.3.7. Below is a summary of the school funding with further detail to be found in the School Funding 2020/21 report presented by the Council at the January 2020 Schools Forum meeting.

Schools Block (SB)

6.3.8. Listed below are the decisions the Schools Forum has taken in respect of the Schools DSG Block;

- 2020/21 Minimum Funding Guarantee (MFG) has been set at +0.5%.
- Continuation of funding transfer of £1.2m, 0.5% of Schools Block to the High Needs Block was approved by Schools Forum.
- ‘Growth Fund’ rules were agreed and remain unchanged from 2019/20 at £78,800 per 30 places in secondary schools and £60,100 in primary.
- Schools that gain maybe capped and scaled for affordability purposes. The local formula will continue to be scaled back through the Prior Attainment factor.

Early Years Block (EYB)

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

- 3 & 4-year-old entitlement 15 hours

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

6.3.10. The funding arrangements for 2020/21 are as follows:

The funding arrangements for 2020/21 guiding the structure of the formula remain unchanged. The maximum a Local Authority will be able to retain for central spend remains set at 5%.

6.3.11. Whilst the table outlines the proposed allocation of Ealing's Early Years Block for 2020/21, the final grant value will be determined based on pupil numbers at January censuses 2020 and 2021

Table 13: Provisional Early Years DSG Block Allocation

Projection of Provisional Early Years Block in 2020/21	£M
Central Spend 5% Allowance	1.194
Early Years Inclusion Fund	2.118
Nursery Education Grant Spend	19.806
Contingency	0.754
Total 3-4-Year-Old Budget	23.872
Early Years Pupil Premium/Disability Access Funding/Maintained Nursery School Supplement	0.896
2-Year-old Grant Spend	3.138
Total Early Years Block	27.906

6.3.12. The table below outlines the hourly funding rates for the Local Funding formula 2019/20 and proposed rates for 2020/21;

Table 14: Proposed Hourly Rates for Early Years

Early Years Funding Formula Factor - All Nursery Providers	2019/20	2020/21
Base Rate	90% of funding	90% of funding
Universal 15 hours	£4.57	£4.63
Additional 15 hours	£4.57	£4.63
Deprivation mandatory	5% of supplement	5% of supplement
	£0.26	£0.26
Quality	5% of supplement	5% of supplement
	£0.26	£0.26

High Needs Block (HNB)

6.3.13. The HNB is a single block for local authorities' high needs pupils/students aged 0-24. This block includes hospital education. This is allocated to local

authorities on a national formula and which is not driven by pupil numbers.

- 6.3.14. The Council is currently faced with a projected pressure which it is currently being mitigated through one-off management actions including the transfer from the School Block in 2019/20. The DfE has consulted widely on requiring overspends on the High Needs Block to be treated as deficit on the DSG. Where this amounts to more than 1% of the DSG Councils will need to prepare a deficit recovery plan. Officers are undertaking further work in this area and will report further to the next Schools Forum meeting in April 2020.

Central School Services Block

- 6.3.15. 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.

6.4. Other Funding

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

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

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

It is allocated for all pupils who have been eligible or are eligible for free school meals during the last six years, looked after children and service pupils.

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

Schools will also receive funding for UIFSM for eligible children in year reception, year 1 and year 2 on the schools roll at October 2019 and January 2020 census days.

c) **Teachers pay and pensions**

For 2018/19 and 2019/20 the DfE committed to partially fund the teachers' pay award through the Teachers Pay grant, with schools funding the first 1%.

d) **Teachers employer pension contribution**

For 2019/20 and 2020/21, the DfE provides a contribution towards the increase in employer contributions to the Teachers' Pension Scheme (TPS) as a supplementary fund

6.5. **Proposed Changes to the DSG Conditions**

6.6. In November 2019 the government consulted with Councils on proposed changes to the DSG grant conditions and restricting how Councils can fund any DSG deficit. The consultation paper set out:

- Government's intention that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income, unless authority sought from Secretary State for Council to fund it from other sources.
- Suggestion that small amounts of the General Fund would be permissible.
- No timescale have been set for the length of this process.
- The intended implementation date is from the start of the financial year 2020/21, so that local authorities would take them into account in setting budgets for 2020/21.

6.7. The consultation outcome paper was released in January 2020 which set out the government's proposal with regards to how Councils should treat any DSG deficits from the previous year as follows:

- i. Carry forward all of the deficit to be funded from the School Budget (DSG Total) from the new financial year; or
- ii. Carry forward part of the deficit to the new year and remainder to the following year; or
- iii. Carry forward all of the deficit to be funded from the School Budget (DSG Total) from the following financial year; or
- iv. Apply to Secretary of State to disregard the above (not to carry forward any deficit against DSG budget) and fund from other sources

6.8. There is potential for financial support to councils who are unable to manage and pay off historic deficits. The DfE will need convincing evidence from local authorities that this is the case.

6.9. The expectation is through the extra resources being made available in the high needs budget, that most local authorities with a DSG deficit will be able to bring their high needs budget into in-year balance and go on to recover the deficit by managing their expenditure within the larger DSG total. DfE will review the high need spend against the high needs funding formula to see if there are issues around the allocations.

6.10. DfE may help some councils experiencing cashflow issues as a result of the deficit by providing an advance against future allocation

6.11. Due to the changes come into effect from 1 April 2020 the Council is unable to agree on impacts but whilst awaiting further details officers are working on assessing the impact of the changes on processes, accounting requirements

and setting the budget. Therefore, the report will be looking for delegation to allow for appropriate action to be taken to comply with the legal requirements following confirmation of final guidance.

7. Housing Revenue Account (HRA) Budget

7.1. Cabinet approved the HRA revenue budget for 2020/21 and the HRA 5-year Capital Programme for the period 2020/21 to 2024/25 at the January 2020 meeting.

7.2. The table below sets out the approved 2020/21 HRA revenue budget.

Table 15: 2020/21 Approved HRA Revenue Budget

HRA Revenue Budget	2019/20 £M	2020/21 £M
Dwelling Rent	(57.385)	(57.465)
Commercial Rent	(0.543)	(0.553)
Garages	(0.341)	(0.492)
Service Charges	(8.875)	(8.454)
Heating & Hot Water	(1.542)	(1.396)
Interest on Balances	(0.181)	(0.181)
Total Income	(68.867)	(68.540)
Housing Management	18.347	18.741
Estate Regeneration	3.016	3.734
Property & Estate Services	5.312	5.520
Repairs & Maintenance	16.478	16.679
Interest Payments	8.561	7.147
Provision for Bad Debts	0.756	0.700
Depreciation	14.064	14.085
RCCO	2.300	1.900
Debt Management Expenses	0.033	0.034
Total Expenditure	68.867	68.540
HRA Net (Surplus)/Deficit Before Contribution to Balances	0.000	0.000
Contribution to/(from) HRA Balances	0.000	0.000
HRA Net (Surplus)/Deficit	0.000	0.000

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

8. Capital Budget

8.1. Current Capital Programme Budget

8.1.1. The current approved capital programme budget for 2019/20 to 2024/25 is £932.480m. Subsequently the programme has been revised to reflect approved changes and net slippage being considered at this meeting in the '2019/20 Budget Update' report.

8.2. Additions to the Capital Programme

8.2.1. As part of the 2020/21 budget process new General Fund capital proposals have been identified, taking into consideration the Council's priorities. These additions, valued at £17.639m which will be funded from borrowing. The proposals have been assessed against the legislative requirements set out in the Treasury Management and Capital Strategy to ensure that the Council can afford to support the on-going revenue costs.

8.2.2. Funding for the new HRA capital investments was considered by Cabinet in January 2020.

8.2.3. The additions to the General Fund programme are detailed in Appendix 6.

8.2.4. The General Fund additions of £17.639m will be funded through the revenue which has been built into MTFs budget forecasts.

8.2.5. As part of the 2020/21 budget process there is a recognition that in principle agreement for some of the additions requires the service lead to undertake a detailed business case and option appraisal. To ensure that the capital investment is spent in line with capital spending legislative framework (as set out in the Capital Strategy), Cabinet and Full Council are asked to approve the incorporation of the additions into the capital programme and provide delegation to the Chief Finance Officer (Section 151) to release budget (thereby giving authority to spend) upon approval of a detailed business case and option appraisal.

8.3. Updated Capital Programme

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

- revised budget forecasts, taking into consideration changes in spending profiles between years (considered at this meeting in the '*2019/20 Budget Update Report*')
- HRA 5-year capital programme as approved by Cabinet in January 2020; and

- General Fund additions set out in Appendix 6 being recommended for approval at this meeting.

Table 16: Capital Programme 2019/20 to 2024/25

Capital Programme - 2019/20 to 2024/25	£M						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
General Fund	76.355	252.708	85.250	48.869	1.850	1.850	466.883
HRA	63.670	103.027	93.708	93.834	69.978	59.020	483.237
Capital Programme Expenditure	140.025	355.735	178.958	142.703	71.828	60.870	950.119
Mainstream Funding	39.990	225.160	90.826	89.931	11.390	24.298	481.595
Capital Receipts	48.498	39.229	39.192	25.740	35.499	18.622	206.780
Specific Funding <i>(Split as Follows)</i>	51.537	91.346	48.940	27.032	24.939	17.950	261.743
-Grant	29.914	57.118	32.360	8.756	6.054	0.000	134.202
-Revenue Contribution	0.081	0.000	0.000	0.000	0.000	0.000	0.081
-HRA Contribution	0.000	1.900	0.495	2.241	3.500	2.565	10.701
-Reserve Drawdown	15.470	14.698	14.085	14.085	14.085	14.085	86.508
-Parking Revenue Account	0.824	0.045	0.000	0.000	0.000	0.000	0.869
-Invest to Save	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-Partnership	1.679	7.967	1.000	1.000	1.300	1.300	14.246
-S106	3.569	9.619	1.000	0.950	0.000	0.000	15.138
Capital Programme Funding	140.025	355.735	178.958	142.703	71.828	60.870	950.119

8.3.2. 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 and schemes are still subject to submission of a detailed report to Cabinet seeking formal approval and the release of funding.

8.4. Capital Strategy

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

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

- 8.4.3. The Council's Capital Strategy is the framework for the allocation and management of capital resources within the Council, which take account of council's key priorities in the Corporate Plan. It forms a key part of the Council's integrated revenue, capital, and balance sheet planning with a view towards deliverability, affordability, and risk.
- 8.4.4. Both the Treasury Management Strategy and Capital Strategy are required to comply with the Prudential Code. Whilst the capital strategy sets out the framework in which investments should be taken the Treasury Management Strategy sets the Council's financing requirements.
- 8.4.5. The council's existing strategy has been reviewed to ensure compliance with the latest Prudential Code. Appendix 8 sets out the 2020/21 Capital Strategy which is recommended for approval by Cabinet.

9. Treasury Management

- 9.1. The Local Government Act 2003 and supporting regulations require the Council to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and Treasury Management Code of Practice to set prudential and treasury indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable.
- 9.2. In pursuit of the above the council must produce as a minimum three key reports:
- Treasury Strategy, prudential and treasury indicators, a requirement fulfilled by the production of this report (Appendix 9). The report covers:
 - capital plans including prudential indicators,
 - minimum revenue provision MRP policy,
 - the treasury management and investment strategy.
 - A mid-year report which updates members on treasury progress, the capital position, the prudential indicators and whether any strategies or policies require revision.
 - An annual treasury outturn report.
- 9.3. The council's existing Treasury Management Strategy has been reviewed to ensure compliance with the latest Prudential and Treasury Management Code of Practices. Appendix 9 sets out the Treasury Management Strategy and Prudential Indicators for 2020/21 which are recommended for approval by Cabinet.

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

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

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

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

10.3. The Chief Finance Officer (Section 151) therefore advises that, in relation to the financial year 2020/21, the proposed budget is robust and the level of reserves and balances in the draft budget is adequate.

10.4. The 2020/21 budget setting process is designed to produce robust medium term Revenue Budget estimates which have been subject to considerable examination by the council's members and officers. As a result:

- The budget and service planning cycles are in line, so that resources are aligned with service objectives through the budget setting process.
- The revenue impact of decisions concerning capital spending is considered and incorporated in the budget proposals.
- Risks are fully considered and appropriately budgeted for.
- The budget does not include a proposed contribution to general reserves as the anticipated level of reserves as at 31 March 2020, is at the target level.
- The Ealing Business Partnership receives and comments upon the budget report before the Council meets to set the budget
- The Cabinet receives and comments upon the budget report before the Council meets to set the budget.
- The council's scrutiny function has had the opportunity to consider and comment upon the budget proposals to the Cabinet.

10.5. Adequacy of Reserves and Balances

10.5.1. Under the 2003 Local Government Act, the Section 151 Officer, the Council's statutory Finance Officer - the Chief Finance Officer, 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.

10.5.2. There is no statutory definition of a minimum level of reserves and it is for this

reason that the matter falls to the judgement of the Section 151 officer. In coming to a judgement on this matter the Section 151 officer has considered matters such as:

- Risks inherent in the budget strategy.
- Risk management policies and strategies.
- Past financial performance 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.

10.5.3. The Council's General Fund balance is at its target risk-assessed level of £15.919m and there is no further contribution planned within the base budget for 2020/21. £15.919m is 6.4% of the total net budget for 2020/21 of £247.960m. The Chief Finance Officer (Section 151) considers that a balance of £15.919m at 31 March 2020 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.

10.5.4. The recommendation of the Chief Finance Officer (Section 151) on balances is therefore that the MTFs should ensure that the General Fund balance is maintained at £15.919m, which is the estimated balance as at 31 March 2020. No budgeted contribution is therefore required as part of the 2020/21 budget process.

10.5.5. The Chief Finance Officer (Section 151) 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.

10.5.6. The opportunity cost of holding the recommended General Fund balance of £15.919m in 2020/21 in terms of investing in services or limiting the council tax rise is offset by the flexibility that it allows to deal with risk and adverse expenditure variations.

10.5.7. The opportunity has also been taken to review all significant earmarked reserves monies set aside for a specific purpose. Earmarked reserves reduce over the medium term as the sums built up in these are deployed, as shown in Appendix 5.

10.5.8. The earmarked reserves exclude locally-managed school balances, which are

not available for use by the Council. The Council has a number of earmarked reserves as shown in Appendix 5 (summary at Table 17 below).

- 10.5.9. The council has forecasted to transfer funds to and from earmarked reserves over the medium term, this is reflected in Appendix 5.

Table 17: Forecast of Reserves over the MTFS Period 2020/21 to 2023/24

Reserves	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
	£M	£M	£M	£M	£M
Controllable Ring-Fenced Reserves	(31.809)	(31.166)	(30.249)	(30.249)	(30.249)
Controllable Non-Ringfenced Reserves	(18.497)	(18.368)	(18.617)	(18.852)	(18.875)
Sub-total Earmarked Reserves	(50.306)	(49.535)	(48.866)	(49.102)	(49.125)
Schools Balances	(14.951)	(14.951)	(14.951)	(14.951)	(14.951)
Total General Fund Reserves	(65.257)	(64.486)	(63.817)	(64.053)	(64.076)
Housing Revenue Account Reserve	(9.104)	(9.104)	(9.104)	(9.104)	(9.104)
Total Reserves	(74.362)	(73.591)	(72.922)	(73.158)	(73.180)
General Fund Balance	(15.919)	(15.919)	(15.919)	(15.919)	(15.919)
HRA Balance	(4.925)	(4.925)	(4.925)	(4.925)	(4.925)
Total Reserves and Balances	(95.206)	(94.435)	(93.766)	(94.002)	(94.024)

- 10.5.10. The forecast of the reserve movements summarised in the table above and in more detail in Appendix 5, reflect funding of capital schemes, invest to save proposals agreed through the budget process, drawdown of earmarked grants and technical and statutory adjustments relating to business rates and insurance. Use of reserves is regularly reviewed throughout the year and may result in further drawdowns over and above of what is shown in Table 17.

- 10.5.11. If an unplanned opportunity or challenge arises during the course of any financial year that require funding or investment outside of existing budget or planned drawdown of reserves then reserves, such as the Invest to Save are accessed. This is not reflected in the forecast above.

11. Legal

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

- 11.2. Some savings proposals will have more detailed legal or practical implications. Where this is the case, these detailed implications will need to be considered before a final decision is taken on whether or not to implement the proposals

or to implement them in a revised format.

11.3. In regard to the Council's employment law duties

- 11.3.1. Directors, including the Executive Directors and the Chief Executive, have the delegated authority to delete vacant posts and create new posts within their service, within budgetary constraints. Executive directors have the delegated authority (following, in relation to proposals to delete filled posts, consultation with the relevant cabinet Portfolio Holder and with the Chief Executive) to approve reorganisations and restructuring of their own departments, which may or may not lead to redundancies, including approving deletions of filled posts. That is why Cabinet is not being asked to approve as part of this report any of the staffing change proposals that will be required in order to deliver the budget proposals. Executive Directors must, when taking any decisions on staffing change proposals, follow the law and principles set out in this section and in section 18 below (Equalities, Human Rights and Community Cohesion).
- 11.3.2. Under s188 of the Trade Union and Labour Relations Act 1992, the Council has a legal obligation to consult if there are proposals to dismiss 20 or more employees (within 90 days of each other).
- 11.3.3. Employees have the right not to be unfairly dismissed. The Council's policies and practices reflect this right. Contractual arrangements for matching and redeployment will be applied to minimise the need for compulsory redundancies.
- 11.3.4. The Council has a legal obligation to make redundancy payments to any employees with more than 2 years' service who are dismissed by reason of redundancy. This arises from the Employment Rights Act 1996 and contracts of employment.
- 11.3.5. Employees whose posts are deleted are contractually entitled to pay protection in certain circumstances.

11.4. In regard to the London Business Rates Pool

- 11.4.1. The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988. The authorities covered by the designation have to agree to the designation (para 34, sub para (2)). Local authorities have the power to enter into a Memorandum of Understanding to record the governing arrangements between them, under section 111 of the Local Government Act (LGA) 1972.
- 11.4.2. Given the complexity of the Pool, London Councils and London Government commissioned independent external legal advice to consider the options for

appropriate governance arrangements at the Pool's inception. Following this legal advice, it was agreed that governance arrangements would be through a quasi-contractual approach involving a lead authority in consultation with participating local authorities and operating under a Memorandum of Understanding. Further legal advice will be obtained if any significant changes to governance arrangements are proposed for the new pool. These are not anticipated for 2020/21.

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

11.5.1. 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.

11.5.2. 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.

11.5.3. 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.

11.5.4. 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.

11.5.5. 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).

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

11.6.1. The Council currently receives funding for schools through the Dedicated

Schools Grant (DSG) and has the statutory responsibility under the Schools and Early Years Finance Regulations for allocating this funding to schools.

- 11.6.2. The Schools Forum Regulations 2012, SI 2012/2261, School and Early Years Finance (England) Regulations 2018, SI 201/10 and the School and Early Years Finance (England) Regulations 2015, SI 2015/2033 set out the matters on which the council must consult the Schools Forum or seek the approval of the Schools Forum or the approval of the Secretary of State.

12. Value for Money

- 12.1. The budget setting process addresses the Council's performance in delivering national and local priorities and focuses on the needs of its communities. The budget process will require services to demonstrate this through their budget proposals submissions.

- 12.2. The budget proposals include examples of delivering Value for Money such as:
- General efficiencies within services and departments.
 - Review of charges, maximising income opportunities, but considering the legal restrictions upon the Council's ability to charge for its services.

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

- 12.4. The Council consistently monitors performance and finance in tandem, to ensure that value for money services are commissioned and provided for, as well regularly adjusting its activities to improve performance and achieve better value for money. The budget process sets the approach, providing the framework in which the Council can look to improve performance and achieve better value for money.

13. Sustainability Impact Assessment

- 13.1. 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.

14. Risk Management

- 14.1. It is important that spending is contained within budget so that the Council can maintain its financial standing in the face of further pressure on resources in 2020/21 and beyond as set out in the annual review of the MTFS in this report.

- 14.2. The current funding settlement only provides certainty for 2020/21, beyond this there remains a great deal of uncertainty. The MTFS therefore includes various assumptions on future funding which is based on Government announcements made to date.
- 14.3. The MTFS model will continue to be updated as greater clarity is provided by the Government on their medium-term funding plans.
- 14.4. Given the uncertainties of the economic environment and the anticipated scale of the expenditure reductions required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks are;
- included in the Corporate Risk Register;
 - regularly reported to Audit Committee; and
 - reviewed through updated Budget and MTFS Strategy reports to Cabinet.
- 14.5. Since 2013/14, the balancing of the budget in-year depends upon the Council achieving its council tax and business rates projections which are closely monitored by the Financial Strategy Group.
- 14.6. As explained in the report, the most immediate 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 SLT and by the Leader and the portfolio holders for Finance and Leisure, Health & Adult Services and Schools & Children's Services.
- 14.7. The council is faced with an uncertain financial climate over the medium to long term which presents a high risk to the authority and there remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the council remains sensible and necessary. The Chief Finance Officer, as the council's Section 151 Officer, is required to state whether the reserves are adequate as part of the annual budget setting process.
- 14.8. The Council's MTFS is continually under review and builds in projections for the MTFS period and beyond as further details and analysis become available. These updates are regularly reviewed by SLT and the portfolio holder and updates on the financial environment the Council is operating in are provided in Budget Strategy reports to Cabinet. Any sustainability impacts will be considered before final decisions are taken on whether or not to implement each proposal.

15. Community Safety

15.1. Not applicable.

16. Links to Strategic Objectives

16.1. The Council's MTFs, budgets, capital programme and capital strategy is designed to deliver the Council's strategic priorities. The budget set for 2020/21 will address the delivery of national and local priorities.

17. Equalities, Human Rights and Community Cohesion

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

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

17.3. Equalities Analysis Assessments (EAAs)

17.3.1. 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.

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

18.1. 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.

19. Staffing / Workforce and Accommodation Implications

19.1. Not applicable.

20. Property and Assets

- 20.1. 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.

21. Consultation

- 21.1. 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.

22. Timetable for Implementation

- 22.1. The budget timetable is set out above.

Table 18: Timetable of Pending Key Budget Activities

Date	Key Activities
February 2020	<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 2020

23. Appendices

Appendix	Appendix Title
1	Summary Revenue Budget 2020/21
2a	Approved Savings for the period 2020/21 to 2023/24
2b	New Savings to be considered - 2020/21 to 2023/24

Appendix	Appendix Title
3	Growth to be considered - 2020/21 to 2023/24
4	2020/21 Parking Account
5	Reserves Forecast and Analysis over the MTFS Period
6	New Capital Schemes
7	Summary of Capital Programme 2019/20 to 2023/24
8	2020/21 Capital Strategy and Flexible Capital Receipts Policy
9	Treasury Management Strategy Statement, MRP Statement and Annual Investment Statement
10	2020/21 Fees and Charges Schedule

24. Background Information

Report Name	Date
Council Reports	
Introduction of Council Tax Reduction Scheme	February 2020
Treasury Management Mid-Year Update	December 2019
Council Plan Annual Update 2019/10	July 2019
Budget Strategy and Council Resolution 2019/20	February 2019
Cabinet Reports	
2019/20 Budget Update	February 2020
Housing Revenue Account (HRA) 2020-21 Budget, 5 Year MTFS and 30 Year Business Plan	January 2020
Budget Strategy & MTFS 2020/21 to 2022/23	December 2019
Revised Council Tax Support scheme for 2020/21	December 2019
Housing Update for Delivering 2500 Genuinely Affordable Homes	December 2019

Report Name	Date
Budget Strategy & MTFS 2020/21 to 2022/23	October 2019
LATCO Business Plan	October 2019
Budget Strategy & MTFS 2020/21 to 2022/23	July 2019
2019/20 Budget Report	February 2019
Schools Forum Reports	
Schools Funding 2020/21	January 2020
Schools Funding 2020/21	November 2019

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Ross Brown	Chief Finance Officer	Continuous	Continuous	Throughout
Paul Najsarek	Chief Executive	Continuous	Continuous	Throughout
Judith Finlay Tony Clements	Executive Directors	Continuous	Continuous	Throughout
Helen Harris	Director of Legal and Democratic Services	Continuous	Continuous	Throughout
Councillor Bassam Mahfouz	Cabinet Member for Finance and Leisure	Continuous	Continuous	Throughout
Councillor Julian Bell	Leader of the Council	Continuous	Continuous	Throughout
Simon Peet	Head of Technical Finance	Continuous	Continuous	Throughout
Nick Rowe	Head of Local Tax & Accounts Receivable	Continuous	Continuous	Recommendations; Para- 4.3; 5.6 to 5.9

Report History

Decision Type: For Decision		Urgency Item? No	
Authorised by Cabinet Date:		Report Deadline:	Date Report Sent:
Member:			
Report no:	Report authors and contact queries: Shabana Kausar, Head of Strategic Finance, 020 8825 7549		