



Report for: DECISION

Item Number:

Contains Confidential or Exempt Information	No
Title	BUDGET STRATEGY AND MTFS 2022/23 TO 2024/25
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Portfolio	Councillor Steve Donnelly, Cabinet Member for Inclusive Economy
For Consideration By	Cabinet
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Affected Wards	All
Area Committees	All
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Purpose of Report

Ealing Council has delivered on the objectives of its Future Ealing programme that has focused on improving the life of the residents and most vulnerable in the Borough whilst working with significantly reduced budgets after a prolonged duration of successive funding reductions. The 2021/22 Budget Strategy saw continued investment supporting vital areas to provide a sustainable platform for services to be delivered from.

The report updates Cabinet on the current financial planning position and to seek endorsement for the savings strategy for 2022/23, which reflects the savings which will be required over the next three years of the Medium-Term Financial Strategy (MTFS), 2022/23 to 2024/25.

This report represents the first stage in the Council's annual budget planning process for 2022/23, following the agreement of the MTFS by Council in February 2021.

The report also sets out the Budget Strategy for the Capital Programme and for the Housing Revenue Account 2022/23.

1. Recommendations

It is recommended that Cabinet:

- 1.1 Note the lack of clarity regarding the timing of the Governments Comprehensive Spending Review (CSR) and the lack of any indication as to the value of financial settlement to Local Authorities makes budget planning, particularly in the current environment unnecessarily complex and challenging.
- 1.2 Agrees that officers prepare detailed plans and budget proposals in accordance with the Administration's priorities and financial strategy objectives (paragraph 4.2, 4.3 and 4.4), taking into account emerging expenditure and funding information (paragraph 3.1 and 3.2) and the proposed approach to savings identification (paragraph 4.5).
- 1.3 Sets a requirement to identify savings proposals that will close the revised forecast budget gap for 2022/23 of £23.793m by the end of the budget process.
- 1.4 Notes the forecast budget gap of £52.004m over the three-year Medium-Term Financial Strategy period and sets a requirement to also bring forward proposals to close the forecast gap in 2022/23 onwards recognising that the Comprehensive Spending Review settlement could have a material impact on this value.
- 1.5 Agrees that any service growth proposals will require equivalent savings to be identified (paragraph 5.9.2).
- 1.6 Notes the capital investment process as set out in the report (section 6).
- 1.1 Notes Housing Revenue Account (HRA) Budget Strategy (section 7).
- 1.2 Notes the budget preparation timetable as set out in the report (section 8).

2. Reason for Decision and Options Considered

- 2.1 The Council made significant investment in service areas as part of the 2021/22 budget process but continues to face significant budget pressures in future years and uncertainty, including the continuing uncertainty of the level of support from Central Government over the medium term and an increased demand for services alongside the potential impact of COVID-19 into future years.

- 2.2 This report is part of the Council's budget setting and business planning process. The Medium-Term Financial Strategy (MTFS) was recommended by Cabinet in February 2021 and approved by Council on 2 March 2021. This report seeks approval of the updated MTFS assumptions for 2022/23 to 2024/25 so that officers can prepare detailed budget proposals for Member consideration as part of the annual budget-setting cycle in line with the timetable in section 8.
- 2.3 The overarching objective is to set a priority-led budget over the medium term that is balanced and realistic; and supported by achievable savings plans. However, it must be recognised that significant budget gaps such as that set out in this report could severely curtail the ability of the Council to deliver comparable service levels and some service areas compared to the current state.

3. Financial Context

3.1 Budget Statement and Spending Review

- 3.1.1 On 3 March 2021, the Chancellor presented his second March Budget which included the following key announcements:

a) Local Government

- 'Levelling Up Fund' (LUF) will invest in infrastructure and is expected to be £4bn for England, between now and 2024/25. In 2021/22, £600m is available through the fund which will focus on small transport projects, town centre and high street regeneration, and cultural and heritage assets. To ensure that funding reaches the places most in need, the government has identified priority places based on an index of local need to receive capacity funding to help them co-ordinate their applications. Ealing has been allocated priority category 2, with category 1 representing areas with the highest need. The approach to the fund for 2022/23 onwards will be published separately in 2021. However, the guidance notes state that this fund includes the previously announced Local Pinch Point fund, which had been expected to deliver £75m, in both 2021/22 and 2022/23.
- UK Community Renewal Fund will support communities across the UK in 2021/22 to pilot programmes and new approaches as the government moves away from the EU Structural Funds model and towards the UK Shared Prosperity Fund. The fund is expected to be £220m. A lead authority has been identified for each lower tier area; for London this is the GLA. These authorities must invite proposals from local applicants and submit a shortlist of proposals by 18 June for selection. The Council did not directly submit any bids but supported Southall Community Alliance as the strategic partner with their submission. This bid was to support Southall as a destination, its heritage and culture through a range

of business and skills interventions. However, the bid was unsuccessful in being shortlisted by the GLA.

- An additional £19m will be made available towards tackling domestic abuse, including £15m in 2021/22 across England and Wales to increase funding for perpetrator programmes that work with offenders to reduce the risk of abuse continuing, and £4m between 2021/22 and 2022/23 to trial a network of 'Respite Rooms' across England to provide specialist support for homeless women facing severe disadvantage. This comes on top of the £125m announced in the Spending Review last year for councils to deliver the Domestic Abuse Bill's new statutory duty to support victims.

b) Housing

- From June 2021, care leavers up to the age of 25 and those under the age of 25 who have spent at least three months in a homeless hostel will be exempt from the Shared Accommodation Rate (SAR) in Universal Credit (UC) and Housing Benefit (HB). The SAR of Local Housing Allowance reduces the amount of HB or Housing Costs Element of UC a single person under the age of 35 can claim for a private rented property. The exemption will help more vulnerable people access suitable housing. These measures were previously due to be implemented from October 2023 but have been brought forward.

c) Welfare

- Up to £3.8m of funding to be provided delivering a pilot 'no-interest loans scheme'. The scheme will help vulnerable consumers who would benefit from affordable short-term credit to meet unexpected costs as an alternative to relying on high-cost credit.

d) 2021/22 COVID-19

- Extension of the business rates relief for retail, hospitality and leisure premises, with;
 - 100% relief provided for first three months from 1 April to 30 June.
 - 66% relief to be applied for the remaining nine months from 1 July 2021 to 31 March 2022. However, this relief will be capped at £2m per business where any occupied premises were required to close on 5 January 2021. For businesses without such a premise, the cap will be £0.105m.
 - Nurseries will also qualify for relief in the same way as other eligible properties capped at £0.105m.
 - Councils to be fully compensated for the loss of business rates income, as a section 31 grant.
 - Additional new burdens grant funding to be made available for councils towards administrative cost burdens.
- Updated Contain Outbreak Management Fund (COMF) Framework published in March, which sets out how national and local partners will

continue to work with the public at a local level to prevent, contain and manage outbreaks. This will include details of the enhanced toolkit of measures to address Variants of Concern.

- ‘Restart Grants’ to be made available in England of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses. This will provide businesses with cash certainty, whilst they plan ahead to safely relaunch trading over the coming months.
- Extension of the Furlough Scheme to September 2021.
- Additional £300m to extend the Culture Recovery Fund to continue to support key national and local cultural organisations in England as the sector recovers.

e) Other

- The new UK Infrastructure Bank to provide financing support to private sector and council infrastructure projects, to help meet government objectives on climate change and regional economic growth. From the summer the bank will offer loans to councils at a rate of gilts + 60 basis points for strategic infrastructure projects.
- The Government published Terms of Reference for a new National Infrastructure Commission (NIC) study on towns and regeneration, which will consider how to maximise the benefits of infrastructure policy and investment for towns in England.
- A new £150m Community Ownership Fund will be created to help ensure that communities can continue to benefit from the local facilities and amenities that are most important to them. From the summer, community groups will be able to bid for up to £0.250m matched funding to help them to buy local assets to run as community-owned businesses. In exceptional cases up to £1m of matched funding will be available to help establish a community-owned sports club or buy a sports ground at risk of loss from the community.

3.1.2 The Government will conduct a Comprehensive Spending Review (CSR) later this year. It is too early to speculate on the details the CSR may include but there are a number of long-standing funding issues that remain unresolved which include:

- Details and revised timeline of the ‘Fair Funding Review’ and Business Rates baseline reset.
- Business Rates Revaluation postponement from 2021 to 2023 (based on valuations as at 1 April 2021).
- Future of the New Homes Bonus grant scheme.
- Long-term funding arrangements for Social Care.
- Arrangements for Council Tax and future of the Social Care Precept.

3.1.3 At the time of writing this report, it remains unclear when the CSR will take place

and whether the spending review will announce a multi-year or a one-year settlement. As a result of this uncertainty the Council will need to continue to plan with little or no funding certainty over the medium term until a multi-year settlement is published.

3.1.4 The general national and local health of the economy has both direct and indirect impacts on the Council’s medium term financial strategy. The CSR is expected to consider the latest economic performance and projections of e.g. GDP, borrowing, taxation levels and employment rates and so this will help to determine what the general outlook for local government funding will be over the short-medium term.

3.2 2021/22 Budget and MTFs 2022/23 to 2024/25

3.2.1 The MTFs, covering the 4-year period 2021/22 to 2024/25, was approved by Cabinet and Council in February and March 2021 respectively. It reflects the impacts of central government funding decisions, analysis of advice and information from relevant organisations and the effects 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.

3.2.2 By necessity the MTFs is updated to reflect changing circumstances, updated priorities and ambitions, the latest financial situation and external factors such as Government funding settlements. Uncertainty regarding the impact of postponed local government funding reforms (business rates baseline funding reset and the Fair Funding Review) and widely anticipated recession that is likely to follow the pandemic present significant risks. This in turn creates a high degree of uncertainty both within and beyond 2022/23. As such the MTFs and budget strategy is being compiled in a period of unprecedented financial uncertainty and any estimate beyond one-year is very much speculative.

3.2.3 The table below summarises the MTFs forecasts for 2021/22 to 2024/25 and confirms the forecast budget gap of £23.793m, £11.850m and £16.360m for the years 2022/23 onwards.

Table 1: 2021/22 to 2024/25 Medium Term Financial Strategy Summary

MTFS 2021/22 to 2024/25	2021/22	2022/23	2023/24	2024/25
	£M	£M	£M	£M
Total Funding	(256.148)	(251.349)	(252.767)	(258.322)
Net Budget Requirement	252.648	271.642	284.910	306.826
Contributions to (+) / from (-) reserves	3.500	3.500	3.500	3.500
Net Budget Requirement after Reserves	256.148	275.142	288.410	310.326
Forecasted Budget Gap - Incremental	0.000	23.793	11.850	16.360
Forecasted Budget Gap - Cumulative	0.000	23.793	35.643	52.004

Source: Budget Strategy & MTFs 2021/22 to 2024/25 - February 2021 Cabinet

3.3 General Fund Balance

3.3.1 For 2021/22 the Council's General Fund balance was set at its risk-assessed target level of £15.919m. Having reviewed the current financial challenges being faced as a result of the pandemic, the Chief Finance Officer, as the Council's Section 151 Officer, has considered the level of General Fund Balance very carefully. In conjunction with the annual budgeted contribution of £3.5m to reserves the General Fund balance of £15.919m is assessed to be adequate at the level given, in view of the risks the Council is facing and considering Ealing's spending history. The adequacy of reserves will continue to be reviewed annually and given the unknown financial long-term impact of the pandemic it is particularly difficult to determine accurately.

3.4 Adequacy of Reserves

3.4.1 The Council also sets aside funding in reserves for specific purposes and to mitigate financial risks as part of the budget planning and monitoring process. At 31 March 2021 the Council's General Fund earmarked reserves (excluding COVID-19 grant and other technical reserve balances) totalled £78.681m), of which £28.851 relates to un-ringfenced reserves.

3.4.2 With the exception of 2020/21 the Council has previously seen its reserve balances reducing year on year and whilst prudent and appropriate for the typical budgetary requirements and normal challenges faced by Ealing, they are not meant to nor have the capacity to deal with significant pressures and nor should reserves be fully depleted without very careful consideration of the impact on future years.

3.4.3 As such, the Council needs to continue to act in a prudent manner and reduce the reliance on reserves in year, and importantly, not commit to any expenditure that could expose the Council to risk that may ultimately result in further reserve commitments being required.

3.4.4 Reliance cannot be placed on reserves as a funding strategy for 2022/23 onwards. Recurring revenue savings from service areas or new income streams must be found to meet the forecast budget gap. Further reviews of reserves will be undertaken during 2021/22 as part of the MTFS process but it should be noted that that reserves including the use of General Fund balance will only be no considered as a last resort and in exceptional case in order to fulfil the statutory obligation to set a balanced budget.

4. Approach to Budget Setting

4.1 As set out above, the postponement of funding reforms and the absence of government spending plans mean that there is maximum funding uncertainty, making the preparation of medium-term financial plans highly complicated and

speculative.

4.2 Delivering Administration Priorities

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

- Rebuilding our economy
- Greening our borough
- Tackling poverty and inequality

4.2.2 These are supported by nine priority outcomes delivered via the Future Ealing programme. The nine ways to make the borough better are:

- Tackling inequality
- Climate action
- Decent living Incomes
- Inclusive economy
- Genuinely affordable homes
- Good growth
- Thriving communities
- A fairer start
- Healthy lives

4.2.3 Contributing to the achievement of the above priorities and outcomes are a number of significant programmes of activity are now in delivery, notably:

- Housing Delivery Programme that along with partners have delivered over 75% of the 2,500 genuinely affordable homes target.
- Historically low numbers of looked after children as a result of preventative work with children and families
- Reduced placements into temporary accommodation with almost 50% of homelessness approaches to the council last year resulting in a prevention outcome.
- The Better Lives programme has continued to be delivered throughout 2020/21 with a strong focus on reducing the use of care home placements where community alternatives can be found and supporting customers maximise their independence.
- Continued delivery of our digital programme making it easier to access services online. 109,000 resident and business accounts have now been created on the My Account portal and new services brought online.

4.2.4 These are alongside the commitment of the new Administration to deliver London Living Wage, Ethical Charter and Social Value.

4.3 Future Ealing Outcomes

4.3.1 The Council continues to use Future Ealing as a vehicle for delivering the 2022/23 and future years budget strategy.

4.3.2 The Future Ealing budget strategy contains two main strands:

1) Future Ealing Outcomes

Continued drive on Future Ealing outcomes and the associated savings that this approach brings. For 2022/23 in addition to the continued delivery of the existing commitments and activities specific areas of focus include;

- a) ***Demand focused outcome reviews*** - this approach involves identifying opportunities to better manage demand in service areas such as adult social care, children's services, waste and recycling, and homelessness.
- b) ***Investment led outcome and service reviews*** - this approach involves reviewing priorities and services' functions to identify user experience, efficiency, and effectiveness improvement opportunities.

2) Modern Council

The focus of Modern Council is to identify opportunities to create more integrated and joined-up operations; deliver optimal support services; make more effective use of technology; adopt a more commercial approach; and ensure the effectiveness and efficiency of internal business processes. Within this approach, there are four main workstreams (all with more specific sub workstreams) that will form the core of the approach, they are:

- ***Commercial*** – a targeted approach of reviewing contracts and all new procurements supported by the Commercial Hub team. The review of charging policy will also sit as a workstream within this approach.
- ***Assets*** – a review of all assets utilisation to ensure optimum use with a through flow into alternate asset use that can contribute to both the financial challenge and the delivery of genuinely affordable homes.
- ***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.
- ***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.

4.4 Key Deliverables and Objectives

1) Set and Deliver a Balanced Budget

Councils are required to deliver a balanced budget each year ensuring that

the projected expenditure and commitments can be matched by the available resources in year. Over the last two financial years the government has only announced one-year settlements for Local Government. Postponement of funding reforms and the absence of government spending plans mean that there is maximum funding uncertainty, making the preparation of medium-term financial plans highly complicated and speculative.

In response to these challenges, it is necessary for the Council to consider and implement a set of measures that look to deliver a balanced budget. These measures could in some instances not deliver on the objectives of Future Ealing but are a necessary approach to set a balanced budget

2) Maximise Future Ealing as an Organisational Development approach

The Council continues to use Future Ealing as a vehicle for delivering the 2022/23 and future years budget strategy as far as it is able to do so.

This will enable the Council to embed a culture that supports its residents and staff in accessing and receiving a more efficient and effective service through new ways of working which include flexible/remote working and digital platform that help the Council to unlock resources and opportunities to deliver services differently.

3) Ensure safe and effective delivery of any COVID-19 response

This is to ensure that any proposals and options being developed and implemented do not adversely impact the Council's continued ability to respond to COVID-19 but can also look to delivering the response at a cost neutral basis (where applicable).

4.5 Developing Proposals

- 4.5.1 The project management team are currently in the process of undertaking procurement to commission external support and expertise, building on and enhancing current in-house capacity. This would provide additional support to departments to identify opportunities for saving proposals, driving improved value for money. Services will be supported to develop options and business cases within the agreed timescales, allowing the Council to approve a balanced budget in February 2022.

5. Medium Term Financial Strategy (MTFS) and 2022/23 Budget Update

- 5.1 As noted above, the postponement of funding reforms and the absence of government spending plans mean that there is maximum funding uncertainty, making the preparation of medium-term financial plans highly complicated and speculative.

- 5.2 Reducing Government support continues to be a key driver in the budget process. Uncertainty regarding the impact of local government funding reforms and widely anticipated recession that is likely to follow the pandemic present significant risks. In addition to funding reductions, there is also the potential for significant spending pressures from demand-led services, specifically in the Children's' with Disability, Special Education Need (SEN), Adults service, Housing and new burdens which impact on the budget. Although some growth has been built into the MTFs to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the demographic and contractual pressures.
- 5.3 The MTFs and budget strategy is continued to be compiled in a period of unprecedented financial uncertainty. As such an estimate beyond one-year is very much speculative until details of CSR are known, therefore the 2022/23 budget gap has been reviewed and updated through undertaking financial scenario planning, details of which are set out in paragraph 5.5.
- 5.4 As part of the continuous budget monitoring and forecasting processes, a number of key assumptions and estimates, along with known changes, have been modelled in the updated MTFs for 2022/23. The sections of this report below provide an update to the budget gap position for 2022/23.

5.5 Scenario Modelling – 2022/23 Budget Gap

- 5.5.1 As set out above, due to the current period of unprecedented financial uncertainty, the 2022/23 budget gap has been assessed against three scenario cases with the 'realistic' case being taken forward as the updated budget gap for 2022/23.

Table 2: 2022/23 Budget Gap Sensitivity Modelling

Budget Gap as February 2021	£M
Net Service Expenditure	0.036
Service Growth	2.032
Inflation	2.633
Levies	2.279
Corporate Budgets (including treasury)	(0.062)
Grants Held Centrally	5.899
Contingency	0.000
Net Centrally Held Budgets	12.781
Covid Grants and other funding	10.976
Contributions to reserves	0.000

Budget Gap as February 2021	£M
Budget Gap	23.793

5.5.2 Whilst the range of the budget gap for 2022/23 is between c£23m to c£26m, the current working estimate of the 2022/23 budget gap remains same, as approved by Cabinet in February 2021 of c£24m.

5.6 Government Funding

5.6.1 The February 2021 actual for 2021/22 has not changed and reflects the final settlement position, announced in January, which is reflected in the Net Budget Requirement set out in table 1 above.

5.6.2 As set out above, there is a high degree of uncertainty of what the local government settlement will contain both within and beyond 2022/23. The Council has made prudent assumptions with regards to government funding but without confirmation of the future values there remains a risk that the budget gap is understated. Any adverse settlement would therefore require the Council to change the current budget gap and take rapid action to ensure that it can set a balanced budget for 2022/23.

5.7 Collection Fund

5.7.1 Due to the pandemic the Council was seen significant losses in its income collection in relation to council tax and business rates in 2021/22. Ealing were not alone in this phenomenon as similar experiences are seen across all local authorities and as such councils will be able to phase the 2020/21 deficit over three years and also be partly compensated for their losses. The financial impact are shown in 5.7.2.

General Fund Budget Impact

5.7.2 As at 31 March 2021 Collection Fund reported a gross overspend of £28.799m (Ealing's share), of which c£16m is being funded through additional section 31 grants in relation to the retail and leisure relief and £3.7m from the 75% income compensation mechanism. This leaves the Council to fund a net loss of £9m from the General Fund. The table below sets out the current profile of the budgeted impact.

Table 3: 2021/22 Budget Impact of the Estimated Collection Fund Deficit as at 31 March 2021

General Fund Impact for Ealing	£M			
	2021/22	2022/23	2023/24	Total
Council Tax	2.884	0.714	1.870	5.467
Business Rates	(1.779)	3.201	2.197	3.620
Estimated Budget Impact	1.106	3.915	4.067	9.088

- 5.7.3 At the time of setting the budget in February 2021, the loss was estimated to be £8.651m which has increased by £0.436m mainly due to change to the income loss mechanism calculation updated by MHCLG. Council will look to manage the increased pressure through combination of reserves and or in-year savings.

Business Rates

- 5.7.4 The Council's MTFs has assumed to retain 30% of the estimated business rates over the MTFs period, in line with current retention scheme.

5.8 Council Tax and Adult Social Care Precept Options 2022/23

- 5.8.1 Each year the government determines the limit at which council tax increases would be excessive and therefore require a referendum. The referendum limit for 2021/22 was 1.99% for core Council Tax and up to 3.00% for the Social Care Precept.
- 5.8.2 At this point there is no indication from Government what (if any) limits are proposed on council tax increase in 2022/23 and proposals on the Social Care precept.
- 5.8.3 There is a nil forecast included within the current MTFs for 2022/23 and beyond with regards to council tax and social care precept increases.
- 5.8.4 For illustrative purposes, a 3% SCP equates to c£4.6m, a 1.99% Council tax increase (in line with 2021/22 powers) equates to c£3m. When combined this amounts to c£7.6m.

5.9 New Service Pressures

- 5.9.1 From an MTFs perspective there are a number of areas where it is sensible to make provisional estimates for growth, such new areas that will need to be factored into 2022/23 that are not currently taken include:
- Provision for growth required to address service pressures. It should be noted that included in the MTFs summary at table 1 above, there is some provision for service growth but not to the level in previous years.
 - Growth required to address service pressures through changes in operational delivery model such full-year effect of the Perceval House Decant revenue costs.
 - Growth required for capital investment to address health and safety pressures as well as meeting administrative priorities.
- 5.9.2 The updated MTFs budget gap remains at c£24m and includes a total forecast of £2.032m (excluding inflationary pressures) which remains unchanged from

the original budget gap as approved by Cabinet in February 2021. Officers will continue to monitor the level and recurring nature of service pressures in-year and will have to pursue all options to mitigate pressures on a permanent basis, which will need to determine the appropriateness of including new growth in addressing said pressures. The resultant effect of new growth capacity to address these pressures would be to increase the budget gap from existing figure in order to allow for more growth provision and as such will require for the saving target to be increased to accommodate this.

- 5.9.3 This presents a very real risk to the financial stability of the authority and in a similar way to the potential impact of the settlement being adverse, the manifestation of pressures at current levels without further mitigation would result in new budget growth requirements requiring new savings to be found to ensure a balanced budget can be set.

5.10 Summary Impact of Changes

- 5.10.1 The table below provides an updated position of the MTFs for 2022/23 to 2023/24 as at February 2021, which remains unchanged from the February estimate, reflective of the items noted above.

Table 4: 2021/22 to 2024/25 Updated Medium Term Financial Strategy Summary

MTFS 2021/22 to 2024/25	2021/22	2022/23	2023/24	2024/25
	£M	£M	£M	£M
Funding	(256.148)	(251.349)	(252.767)	(258.322)
Net Budget Requirement	252.648	271.642	284.910	306.826
Contributions to (+) / from (-) reserves	3.500	3.500	3.500	3.500
Net Budget Requirement after Reserves	256.148	275.142	288.410	310.326
Forecasted Budget Gap - Incremental	0.000	23.793	11.850	16.360
Forecasted Budget Gap - Cumulative	0.000	23.793	35.643	52.004

- 5.10.2 The working assumption from a planning purpose is that there is no change to either the level of funding or costs at this stage. Assumptions will continue to be stress tested against various scenarios in parallel to the budget process. Changes to the budget gap will continued to be reported in accordance with the timetable set out in section 8 below.
- 5.10.3 The indicative budget gap for 2022/23 of £23.793m, 2022/23 of £11.850m and 2023/24 of £16.360m will be delivered through the Future Ealing programme, whilst continuing focus in reducing the level of growth requirements in 2021/22. Specific saving proposals will be brought to Cabinet for approval in line with the timetable, detailed in section 8 below.
- 5.10.4 Members are asked to consider and agree the updated MTFs for 2022/23 and beyond as set out in table above, noting that the Council, in common with all

local authorities, continues to face a challenging financial outlook. A more accurate forecast will be developed as and when further certainty or information is released by Government, however plans will be prepared on the basis of prudent scenarios in the absence of such clarity.

6. Capital Investment Proposals

- 6.1 As detailed in the 2020/21 Revenue and Capital Outturn Report to Cabinet in June 2021, the revised Capital Programme for the period 2021/22 to 2024/25 totalled £1,138.649m. A summary of the capital programme as at 31 March 2021 is set out in the table below.

Table 5: 2021/22 to 2024/25 Capital Programme Summary

Capital Programme Summary	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Total
	£M	£M	£M	£M	£M	£M
General Fund	175.659	241.858	179.936	62.318	39.789	699.560
HRA	76.343	86.160	85.706	84.936	61.608	439.089
Total	252.002	328.018	265.642	147.254	101.398	1,138.649

Source: Revenue and Capital Outturn 2020/21 – June 2021 Cabinet

6.2 Capital Growth

- 6.2.1 The planning assumption for the capital programme in 2022/23 onwards is for a net neutral impact on the General Fund. Further will be undertaken as part of the budget process to assess each business case against set of agreed criteria which will look to ensure that any investment requiring financing is affordable.
- 6.2.2 The new investment will prioritise any capital spending required to meet unavoidable Health and Safety and any funds remaining will be allocated against other priorities agreed as part of the budget setting process.

6.3 Invest to Save Proposals

- 6.3.1 The Council's invest-to-save mechanism will remain in place in 2022/23. It allows services to drive innovation in service provision, by delivering budget savings that are allocated in part to replenish the Invest-To-Save Reserve. Proposals are anticipated to be developed within the scope of the planned Outturn Reviews and other savings initiatives.

7. Housing Revenue Account (HRA) Budget Strategy

- 7.1 In 2020/21, the HRA closed with a balanced position after movements to reserves of £3.160m, leaving an unchanged general balance of £4.925m, above

the 5% minimum HRA balance approved by Cabinet. In 2020/21, the HRA had a budgeted a gross expenditure of £68.540m.

- 7.2 The Council continues to invest, over the medium term, in its housing stock. This includes a regeneration and improvement programme on Copley Close, continuation of the council new build scheme, enabling of the estate regeneration programme, investment in sheltered housing and significant environmental works to other estates, as well as other revenue-based service initiatives. The HRA continues to manage its properties in challenging environment, in light of increased take up of Right to Buy applications, longer term delivery of the Estate Regeneration programme.
- 7.3 Going forward, the HRA will ensure more efficient and timely delivery of the HRA capital programme whilst generating more value for money on its revenue expenditure. The cost of the current 5-year approved HRA capital programme to 2025/26 is £362.746m and will fund major schemes including a comprehensive stock improvement programme, large scale Estate Regeneration and development of the Council New Build programme.
- 7.4 The HRA budget strategy will be presented to Cabinet for review in January 2022.

8. Budget Process and Timetable

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

Table 6: Budget Activity Timetable

Date	Activity
October 2021	<ul style="list-style-type: none"> Cabinet report reflecting 2022/23 Budget Strategy and updated MTFS forecasts
November 2021	<ul style="list-style-type: none"> Comprehensive Spending Review Update <i>(date yet to be confirmed)</i>
December 2021	<ul style="list-style-type: none"> Provisional Local Government Finance Settlement Cabinet report reflecting the updated MTFS forecasts and funding position, including savings proposals Council decision to approve updated Flexible Use of Capital Receipts policy <i>(if required)</i>

Date	Activity
January 2022	<ul style="list-style-type: none"> • <i>Final Local Government Finance Settlement (provisional)</i> • Cabinet report to approve HRA budget for 2021/22 and 30-year business plan (including capital programme) • Section 151 officer agrees Tax Base and forecast Collection Fund surplus under delegated authority
February/March 2022	<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 2022/23

9. Legal

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

9.2 The Council is required to monitor and review, from time to time during the year, its income and expenditure against budget, using the same figure for financial reserves. If, having conducted the review, it appears to the Council that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation, and be ready to take action if overspends or shortfalls in income emerge. (Section 28 of the Local Government Act 2003).

10. Value for Money

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

10.2 The Council consistently monitors performance and finance in tandem, to ensure that 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.

11. Sustainability Impact Appraisal

11.1 Not applicable.

12. Risk Management

12.1 It is important that spending is contained within budget so that the Council can maintain its financial standing in the face of further pressure on resources in 2022/23 and beyond as set out in the annual review of the Medium-Term Financial Strategy (MTFS) approved by Cabinet in February 2021.

12.2 The local government finance settlement published in January 2021 only provided certainty for 2021/22, 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.

12.3 The MTFS model will continue to be updated as greater clarity is provided by the Government on their medium-term funding plans.

12.4 Given the uncertainties of the economic environment, impact of COVID-19 and the anticipated scale of the expenditure reductions required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks are;

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

12.5 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.

12.6 The most immediate risk to the budget process are:

- unfunded income loss pressures as a result of the pandemic particular in relation to Council Tax and Business rates income. The Council will continue to closely monitor the impact of these income streams and support lobby to government as region to ensure the Council can be full compensated for these losses;
- non-delivery of the approved savings; and
- social care placement pressures, which continue to be partly mitigated by spend controls, transformational cost reduction programmes and close monitoring by SLT and by the Leader and the portfolio holders for Finance

and Leisure, Health & Adult Services and Schools & Children's Services.

12.7 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.

12.8 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.

13. Community Safety

13.1 Not applicable.

14. Links to Strategic Objectives

14.1 The Council's medium-term financial strategy, budgets and capital programme are designed to deliver the Council's strategic priorities. The budget set for 2021/22 supported delivery of national and local priorities.

15. Equalities Analysis Assessments (EAAs)

15.1 There is no requirement for an Equality Impact Assessment as part of this report.

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

16.1 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. 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.

17. Staffing/Workforce and Accommodation Implications

17.1 There are no direct staffing/workforce and accommodation implications arising from this report.

18. Property and Assets

18.1 Not applicable.

19. Any Other Implications

19.1 The overall financial position of the Council impacts on the future provision of all Council services.

20. Consultation

20.1 Information and explanations have been sought from directorates on specific aspects of this report and their comments have been incorporated.

21. Appendix

21.1 Not applicable.

22. Background Information

22.1 Cabinet reports:

- Revenue and Capital Outturn – 16 June 2021
- Budget Strategy and MTFS 2021/22 To 2023/24 – 22 February 2021

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	21/06/2021		Throughout
Judith Finlay Gary Alderson Lucy Taylor	Executive Directors	21/06/2021		Throughout
Kieran Read	Director of Strategy & Engagement	18/06/2021	24/06/2021	Throughout
Helen Harris	Director of Legal and Democratic Services	24/06/2021	01/07/2021	Legal section
Councillor Steve Donnelly	Cabinet Member for Inclusive Economy	24/06/2021	25/06/2021	Throughout
Councillor Peter Mason	Leader of the Council	24/06/2021		Throughout
Russell Dyer	Assistant Director - Accountancy	Continuous	Continuous	Throughout
Simon Peet	Assistant Director – Technical Finance	21/06/2021		Throughout

Report History

Decision type: For decision	Urgency item? No
Authorised by Cabinet Date : member:	Report deadline: Date report sent:

Report	Report authors and contacts for queries: Shabana Kausar, Assistant Director Strategic Finance, 020 8825 7549
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