APPENDIX 6

MEDIUM TERM PLANNING FORECAST (MTPF) 2020/21 to 2022/23

1.0 INTRODUCTION

1.1 The MTPF presents the Council's budget strategy for the financial years 2020/21 to 2022/23. It is based on current policies and a review of the service and financial planning horizon, and the resources forecasts contained therein are illustrative external funding levels for 2020/21 to 2022/23 based on: - the 2019/20 Local Government Finance Settlement and the Autumn Budget; and estimates of future council tax, business rates and other income. It is the financial framework which will ensure the Council can continue operating on a sustainable and sound financial footing.

1.2 The Forecast is primarily concerned with General Fund revenue expenditure and income, but consideration is also given to the Housing Revenue Account and Capital Financing.

1.3 This report presents Members with a three-year indicative budgetary forecast. Potentially unavoidable growth items, such as levies and concessionary fares and sustainability items have been added to arrive at a forecast budget position for each year.

1.4 Proposals will need to be developed to manage an expected further reduction in resources and increases in unavoidable costs of at least £30m by 2022/23.

1.5 The financial challenge ahead is considerable, and the budgetary and planning is one of a continual process. The report builds upon the continuation of a number of our existing policies that have driven out efficiencies alongside gains from improved income yields from council tax, business rates and commercial property. Specifically, we will continue to focus on Service Transformation, Service Reviews, further rationalisation of directorate support services, reducing back office costs, management delayering, procurement savings and spend to save initiatives.

1.6 It will also be necessary to build upon the Councils proven record in relation to tight financial management and control with an increased emphasis on financial solutions that increase financial sustainability, get things right first time, drive out value from our asset base and create the conditions for and to harness economic growth, with a real focus on the customer, residents and businesses.

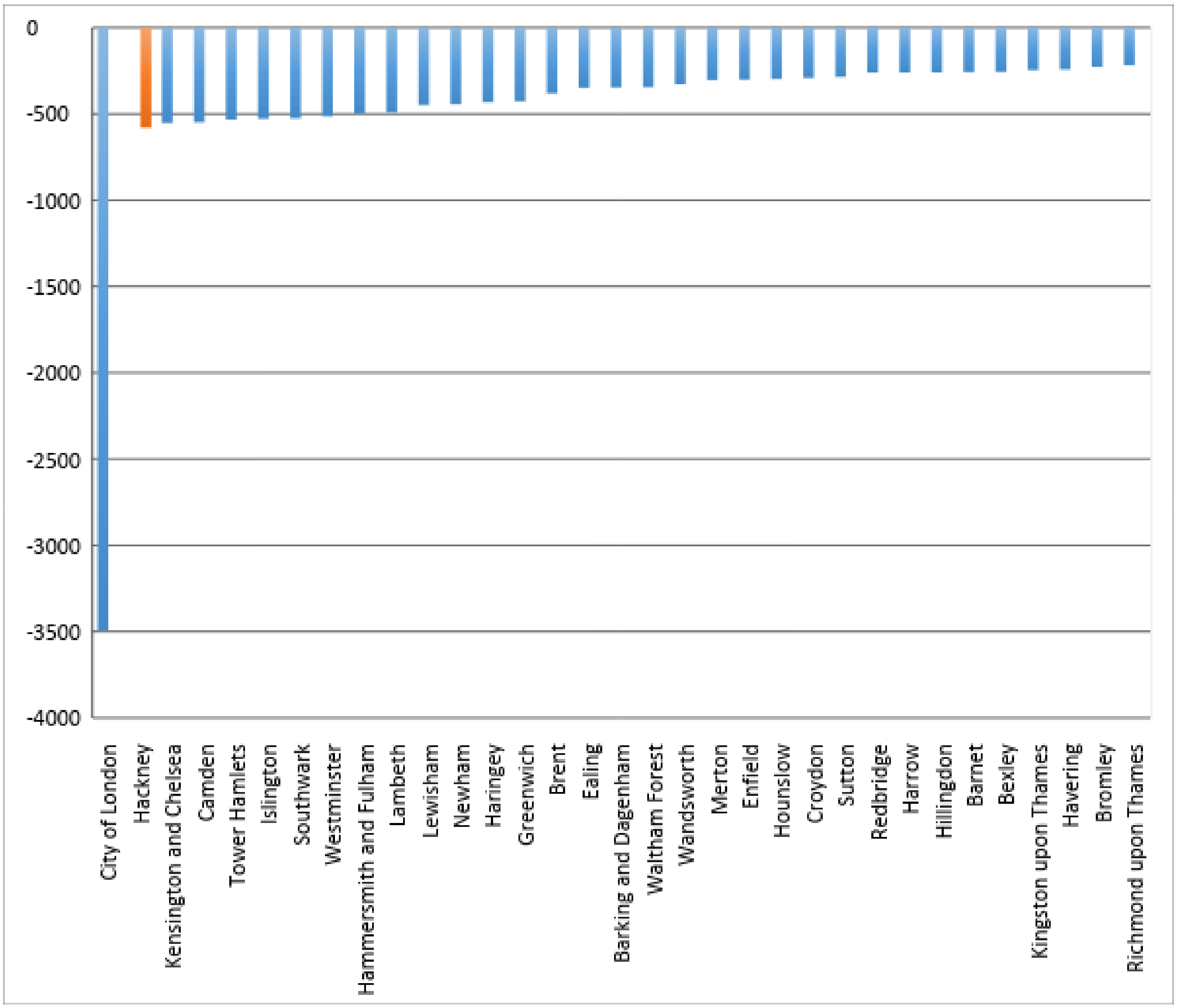
2.0 HACKNEY'S MEDIUM-TERM FINANCIAL FORECAST – HISTORICAL CONTEXT

2.1 Over the period 2010-11 to 2019-20, Hackney lost £140m funding broadly defined as external funding, business rates, council tax income and various specific grants.

2.2 If though we look at core funding defined as Formula Grant in 2010-11 compared to the Settlement Funding Assessment in 2013-14 to 2019-20, then the loss is greater at £158m (54.3%) in cash terms. This equates to a per capita loss of £580 and to a per household loss of £1,860.

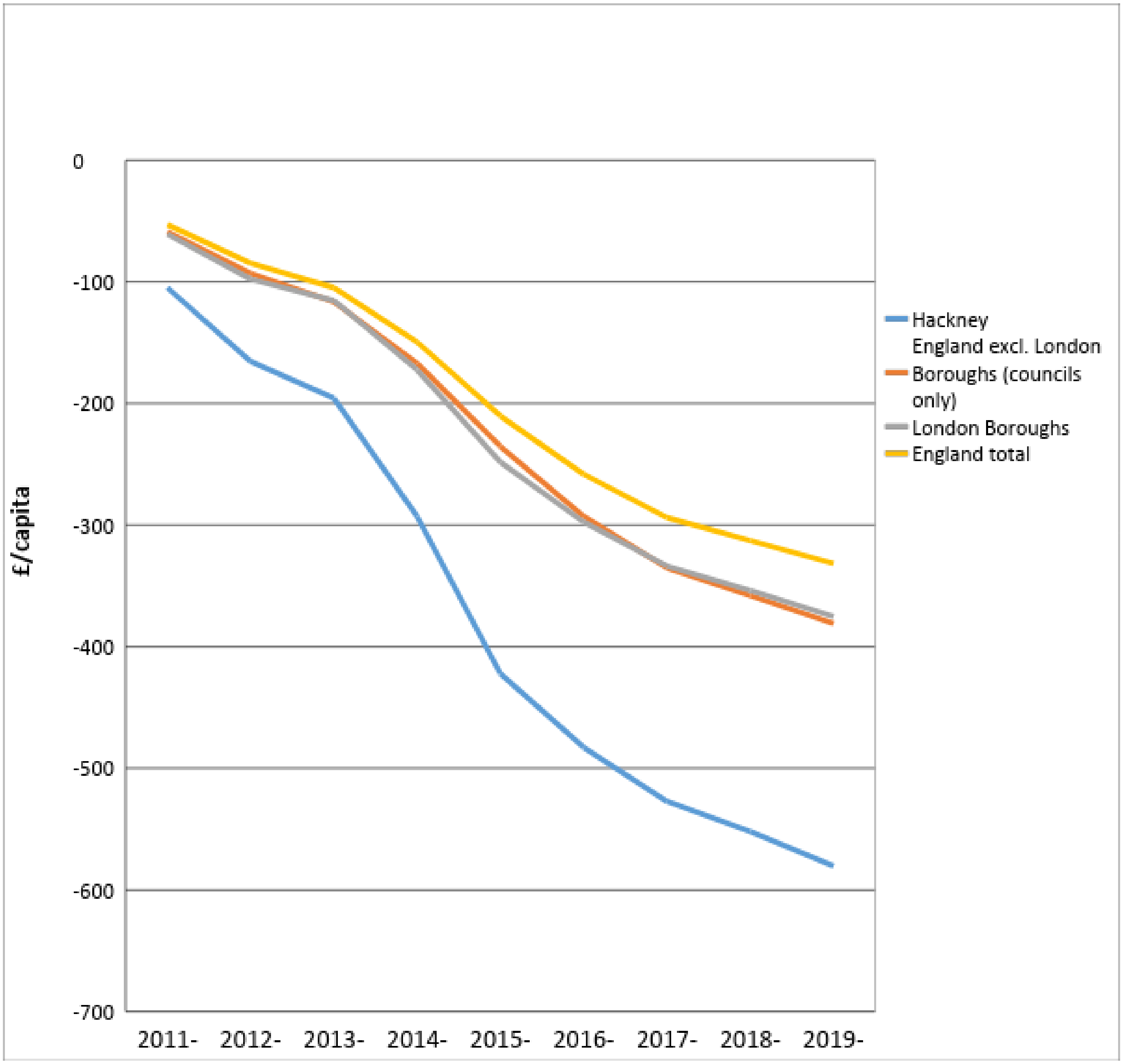
2.3 The per capita loss is the highest in London (excluding the City) as is shown in chart 1 below.

Chart 1: Per Capita Core Funding Loss 2010-11 to 2019-20: London



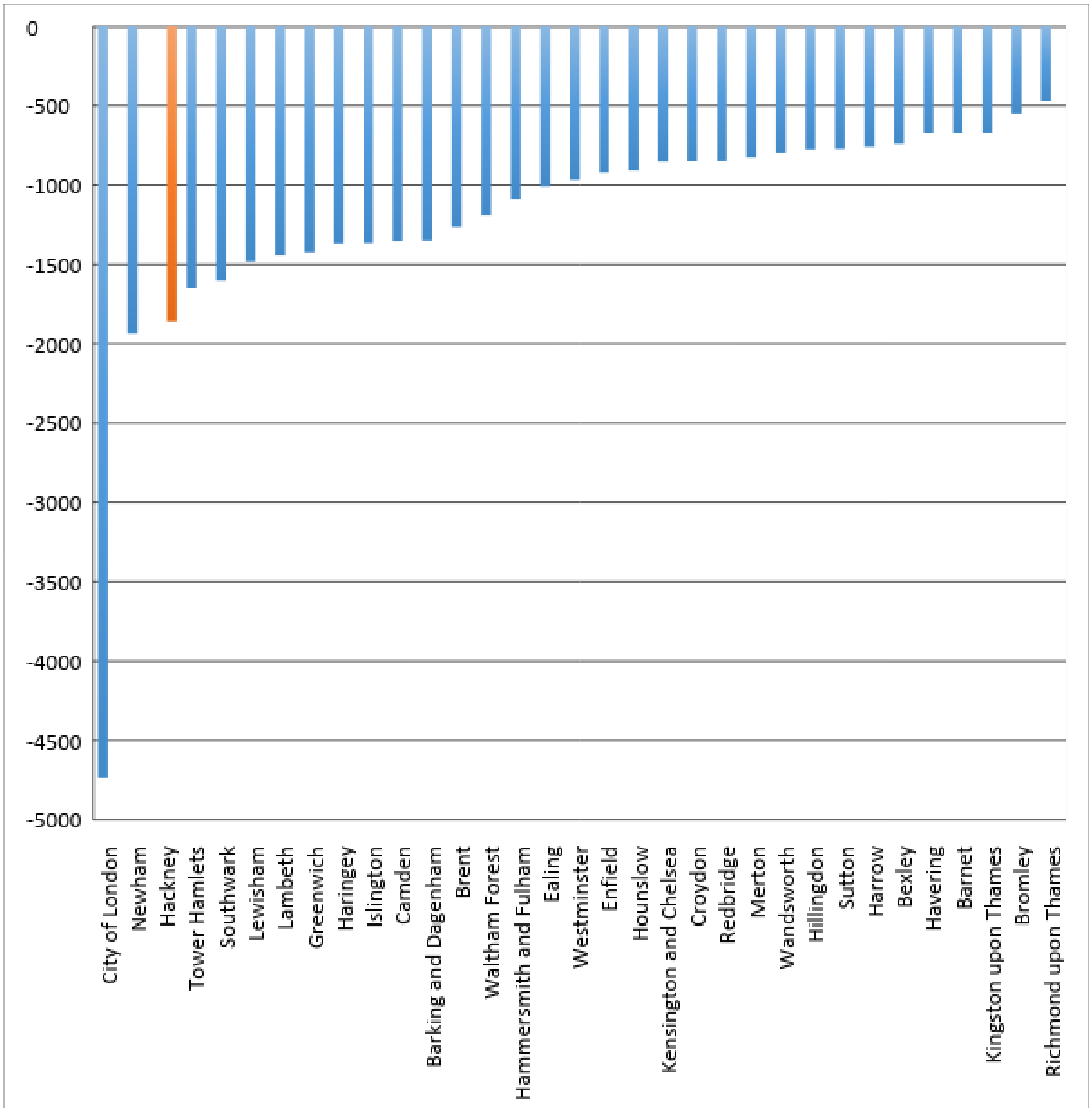
2.3 And the per capita loss is significantly higher than the England average loss. This is shown in Chart 2 below.

Chart 2: Per Capita Core Funding Loss 2010-11 to 2019-20: England



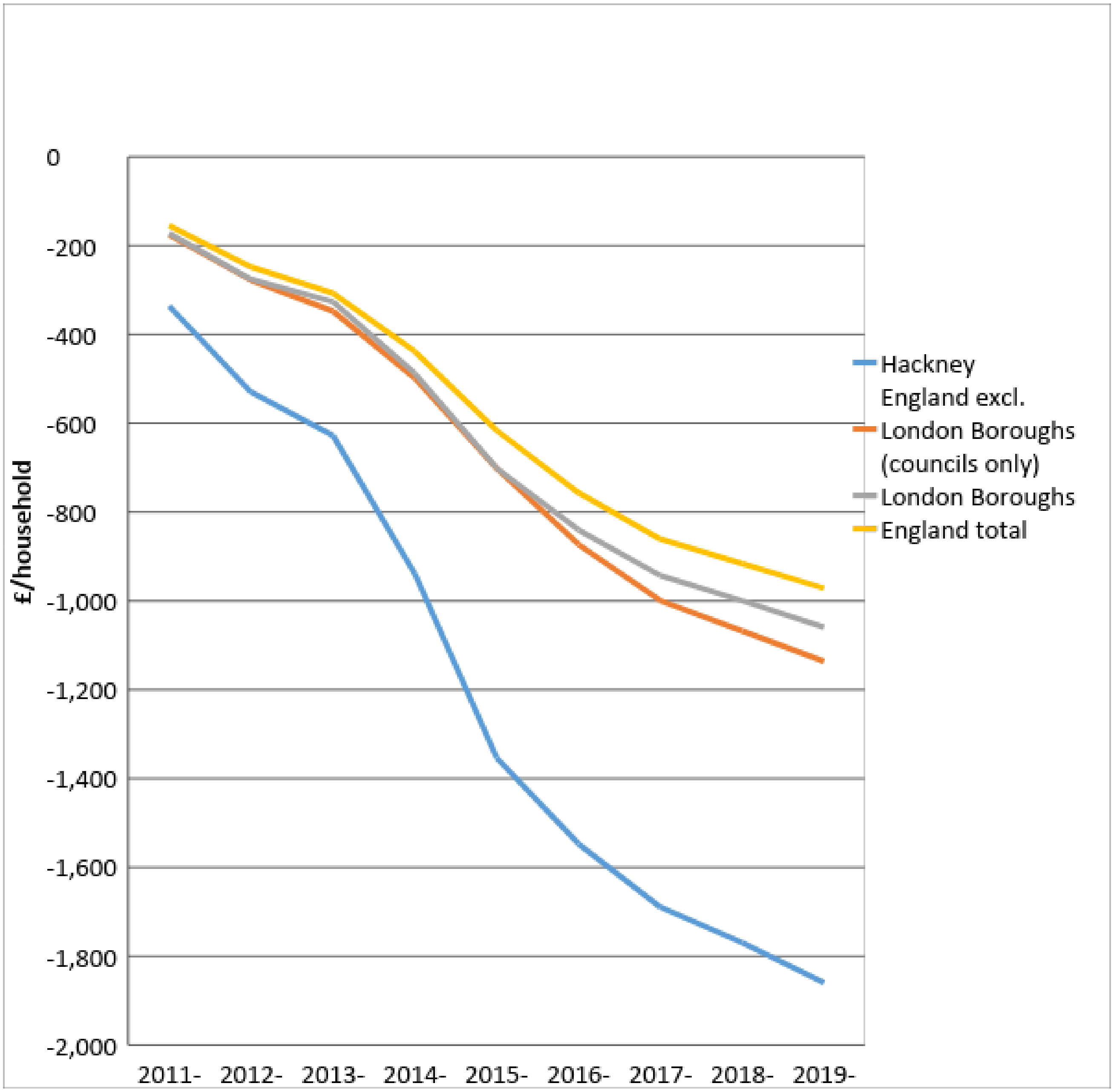
2.4 Turning to per household losses, Hackney's loss is the second highest in London (excluding the City). This is shown in Chart 3 below.

Chart 3: Per Household Core Funding Loss 2010-11 to 2019-20: London



2.5 And the per household loss is significantly higher than the England average loss. This is shown in Chart 4 below.

Chart 4: Per Household Core Funding Loss 2010-11 to 2019-20: England



2.7 The Council has coped with these funding reductions well to date and has continued to maintain service levels at a high level. Turning to the expenditure reductions that have been achieved over this period, emphasis has been placed on initiatives that have resulted in greater efficiency. These include Management de-layering throughout the organization, investing in services to reduce costs in the long term e.g. Children's Social Care, Service reviews and transformation e.g. Adult Social Care and Co-mingling; streamlining the procurement function, performance management of staff with the aim of increasing productivity, improved Corporate Estate Asset Management and the rationalisation of directorate support services. We have also been successful in reducing costs through contract renegotiation, through streamlining back office functions and bringing services back-in-house (ICT and Audit for example).

2.8 In addition to the savings that have been needed to meet the funding losses noted above, we need to make a further £30m of savings by 2021/22. The largest contributor to the funding loss is grant reductions followed by growth pressures. Pressures are most significant in Adult Social Care particularly in commissioning, Children's Services, Special Education Needs (SEN), Homelessness and uncontrollable costs such as levies. It is worth noting that many of these cost pressures result from changes in Government legislation which have not been accompanied by adequate funding (i.e. SEN, Homelessness and Children's Services – notably People without recourse to public funds.)

2.9 Delivering a further £30m savings will not be easy and will require difficult decisions. Our strong financial management and control and investment in early intervention and prevention in many services has put us in a good position and will give us time to identify and develop savings plans that have the lowest possible impact on front line services. The strategy we will adopt to deliver these savings is described in section 3 below.

2.10 In 2020/21 and beyond there is considerable uncertainty about our funding from Government – this is considered in section 4 below. In light of the ongoing financial uncertainty, the development of this Forecast will be an iterative process which will be amended and refined as our future external funding position becomes clearer during 2019-20.

3.0 FINANCIAL STRATEGY UNDERLYING THE MTPF

3.1 The financial strategy provides the strategic framework and overarching corporate financial policy document within which the Council's finances are constructed and managed, ensuring sound governance and best practice.

3.2 The specific long-term drivers of the financial strategy pertinent to this MTPF are:

- to keep to a minimum any additional call on the council taxpayer through continuous driving of the efficiency agenda;

- to address the need to develop an income strategy that reduces the Council's reliance on central government grant income. These sources of funding are under threat of gradual erosion, yet Council is currently heavily reliant upon them;
- to take an evidence-based approach which refers to what has worked previously and, an emphasis on achieving the best outcomes for residents as far as we can.
- To focus on how best to achieve the outcomes set out in the Corporate Plan 2018-2022: 'Hackney, a Place for Everyone' which is developed from the administration's manifesto.
- to preserve the Council's financial resilience through holding a minimum of £15m in general fund unallocated reserves. This is maintained at the level of previous strategies reflecting the increasing volatility and uncertainty of funding sources and spending pressures - a situation expected to continue for several years and;
- to continue to prioritise our investment in Hackney and wherever possible, strive to invest in assets to generate annual income streams;
- to continue to invest in early intervention and prevention;
- to develop delivery models that manage demand and influence behaviours.

3.3 In formulating savings proposals, we will seek to deliver value for money and efficiencies while maintaining the delivery of, or support to, high-quality services; and achieve the best possible outcomes for residents while seeking to reduce our cost base.

3.4 Throughout the period covered by this Forecast, we will continue to produce a balanced and sustainable budget where an appropriate level of financial resilience is assured. The Council will make adequate provision to cover financial risks and ensure key assumptions are 'stress tested' (for public benefit, political acceptability and practical achievability).

4.0 PROSPECTS FOR PUBLIC EXPENDITURE AND FINANCIAL UNCERTAINTIES POST 2019-20

4.1 Autumn Budget

The key points of the October National Budget in relation to local government are as follows:

<u>Social Care</u>

£650m for 2019/20 for Adult Social Care and an additional £55m disabled facilities grant in 2018/19, to provide home aids and adaptations for disabled children and adults on low incomes. Of the £650m, £240m is for Adult Social Care and the remaining £410m is for Adults and Children's Social Care. On the latter, the Red Book states that "where necessary, local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children". Our share of the total £650m for adult social care is estimated to be c. £3.8m. Councils also received £240m to help fund winter pressures in 2018/19 – our share is £1.4m.

Children's Care Services

The Budget provides £84 million over 5 years for up to 20 local authorities, to help more children to stay at home safely with their families. This will be targeted at councils with high or rising numbers of children in care. It is not stated which councils will receive the funding or whether any 'bidding' or representations are required.

Housing

The immediate removal of the HRA borrowing cap was confirmed (from 29 October 2018) and the government estimates an additional 10,000 homes a year will be built, costing the policy £4.6 billion over 5 years (£1.3 billion a year by 2022-23). In addition, there will be £5.5bn additional funding for the Housing Infrastructure fund to support the building of - according to the Government - of 650,000 new homes.

Education

One off £400m in-year capital payment to schools which averages £10,000 per primary school and £50,000 per secondary. The payment will be made directly to schools

Potholes

Local authorities will receive £420 million to fix potholes on roads and renew bridges and tunnels, and there will be a £150 million to improve local traffic hotspots such as roundabouts. Our allocation is £320,000.

Business Rates

Small retail businesses will see their business rates bills cut by a third for two years from April 2019, saving them £900 million according to the Government. Hackney has 9,965 such properties of which 6,871 currently have an amount to pay. The Budget Red Book has confirmed that local authorities will be fully compensated through S31 Grant. This will cost the Government £900m and it estimates that this measure will benefit 90 percent of retail properties from April 2019. On a related matter, a Future High Streets fund will be established through which the government will invest £675 million in local high streets and town centres, including £55 million for heritage-based regeneration. It is expected that the fund will contribute up to £25 million per individual project. Later this year, the government will launch a full prospectus with objectives, eligibility and assessment criteria

4.2 Prospects for Local Government Funding

The Budget updated the overall envelope for public spending to 2023-24 (see table 1.9 below), although this is not set in stone and may change. The key aggregate for Local Government expenditure is the Resource Departmental Expenditure Limit (DEL) which as can be seen, will increase by 19% from £311 billion in 2018-19 to £370 billion in 2023-24.

Table 1.9: Total managed expenditure (in £ billion, unless otherwise stated)[1,2]

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Current expenditure						
Resource AME	397.8	403.1	412.3	426.0	441.0	456.7
Resource DEL excluding depreciation	310.8	325.4	336.8	347.0	357.9	369.9
Ring-fenced depreciation	23.0	23.4	24.6	25.1	25.5	26.4
Total public sector current expenditure	**731.5**	**751.9**	**773.6**	**798.1**	**824.4**	**853.1**
Capital expenditure						
Capital AME	19.8	14.7	15.8	15.2	14.6	19.0
Capital DEL	61.5	75.0	77.6	80.1	82.7	83.1
Total public sector gross investment	**81.3**	**89.7**	**93.5**	**95.2**	**97.2**	**102.2**
Total managed expenditure	**812.8**	**841.6**	**867.1**	**893.4**	**921.7**	**955.3**
Total managed expenditure % of GDP	*38.2%*	*38.3%*	*38.1%*	*38.0%*	*37.9%*	*37.9%*

Source: Budget 2018 (Table 1.9) p.28

Next year's Spending Review will take place therefore, within the broad context of the overall spending figures set out in Table 1.9 above. The Spending Review will determine how the Resource DEL will be divided amongst government departments. Excluding the spending already earmarked for the NHS, the remaining departments will be ascribed £210 billion in 2020-21 rising to £223 billion in 2023-24 (See table 1.7 below).

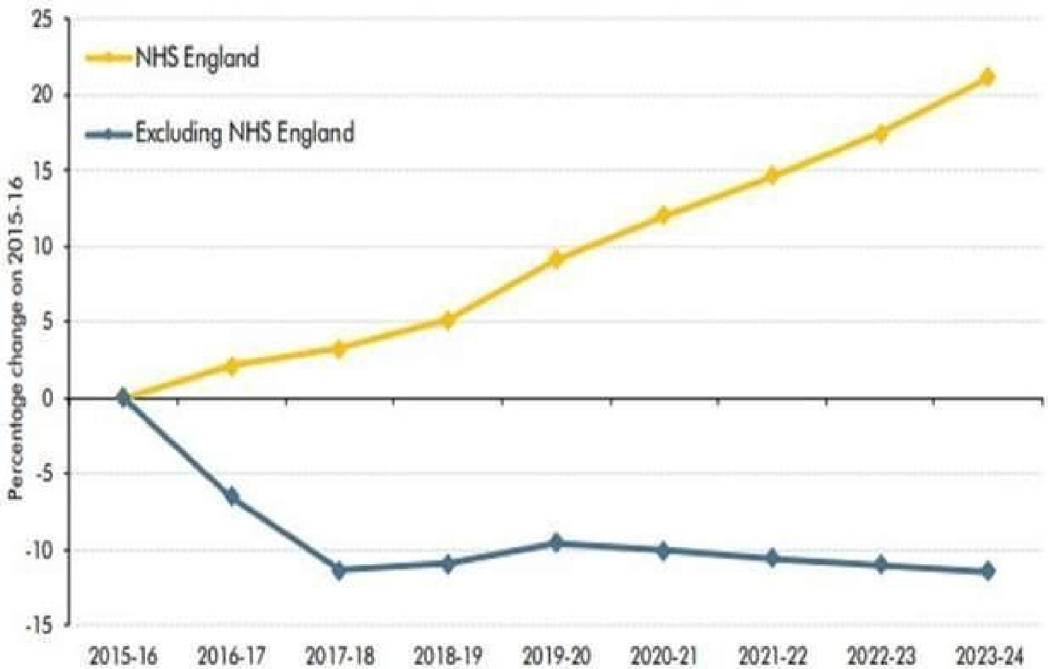
Source: Budget 2018 (Table 1.7) p.25

Table 1.7: Aggregate departmental resource budgets (Resource DEL excluding depreciation, in £ billion)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Resource DEL excluding depreciation[1]	**313.0**	**327.0**	**338.4**	**348.7**	**359.5**	**371.6**
NHS England[3]	114.6	121.8	128.2	134.4	141.1	149.0
Departmental resource spending excluding NHS England	198.4	205.3	210.3	214.3	218.5	222.6
OBR allowance for shortfall[2]	-2.2	-1.7	-1.7	-1.7	-1.7	-1.7
OBR resource DEL excluding depreciation forecast	**310.8**	**325.4**	**336.8**	**347.0**	**357.9**	**369.9**

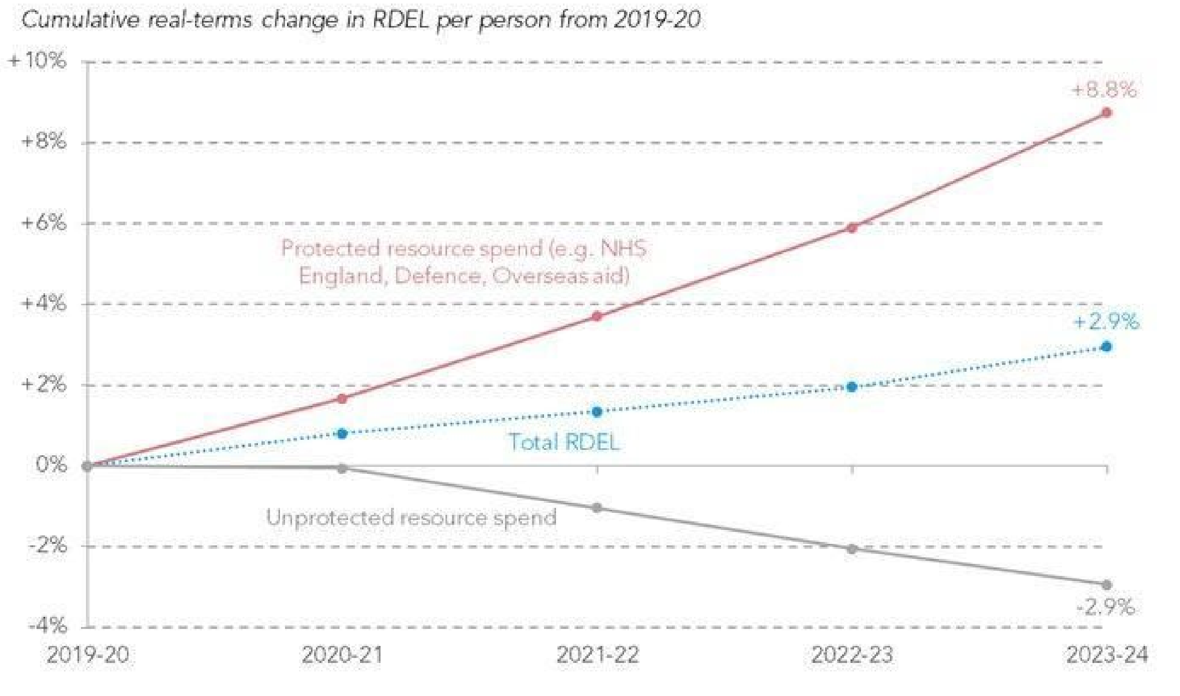
This implies day-to-day total departmental spending growing at an average of 1.2 per cent a year in real terms from 2019-20 but the bulk of this increase is allocated to the NHS. According to Treasury when changes to the NHS and defence spending are considered there will at least be a flat line real terms increase for non-protected departments such as Local Government. Yet the OBR has pointed out that if one looks at current spending per head on departments other than health, spending is still falling over the coming years.

Chart 4.6: Change in real RDEL limits per capita from 2015-16: NHS and other



Note: RDEL ex - the basis on which HM Treasury sets Departmental plans - rather than PSCE in RDEL
Source: OBR

3.5 This is backed up by the Resolution Foundation which calculated that unprotected departments will still, on average, see cuts in every year from 2020-21 in their per capita real-terms budgets which will be 3 percent lower in 2023 than 2019. This is shown below.



Finally, the IFS has stated that there will be a real-terms freeze on the spending of unprotected departments such as local government but a cut in real terms spend per head.

So, the consensus is that there will be a real-terms freeze on the spending of unprotected departments but it must be remembered that in previous Spending Reviews, Local Government has taken a bigger cut than the average unprotected departmental cut and so we should not be surprised if there is a cash cut in spending over the period 2019/20 to 2023/24. Moreover, it looks like more and more funding will be diverted to social care which reduces the amount left for other services. Against this background it is difficult to see how we will have a sustainable long-term financial settlement going forward covering <u>all</u> services especially given the current underfunding of certain services and ever-increasing cost pressures.

4.3 Financial Uncertainties Facing the Council

These are summarised below.

(a) Hammond Announcement August 2018

In August, Philip Hammond announced that he wanted unprotected Government departments (such as Local Government) to work with the Treasury over the summer to find areas for reduction ahead of next year's spending review. According to *The Times* some departments believed that the budget cuts could be by as much as five per cent. The order to start looking for savings came shortly after in letters from Liz Truss, the chief secretary to the Treasury. The article was not specific as to when the cuts will fall but It seems likely that they will be in 2020. Since this announcement, we have had the Prime Minister's "End of Austerity" announcement but it is not clear, if the Hammond savings initiative continues to apply.

(b) Spending Plans and Additional NHS Funding

There is clearly uncertainty concerning the Government's spending plans for the period 2020/21 to 2022/23. These will be published in the Autumn 2019 Spending Review. This covers the total amount of local government spending as well as grant allocations to local government from other departments. Turning to the former, it is unlikely that there will be the same magnitude of cuts as set out in the last three Spending Reviews given the Prime Minister's "End of Austerity" announcement but there still could be some cuts, especially given the funding award to the NHS (an additional £20bn a year by 2023 - an average 3.4% increase annually).

With regards to grants, the key ones here are: (i) the Improved Better Care Fund (IBCF) – we have assumed in the forecast that it will continue at an annual average of the total funding for IBCF that was received over the period 2017/18 to 2019/20 (£11.6m) in future years; and (ii) Public Health Grant - we have assumed that the grant will continue but with a £0.8m reduction in each year which is in line with the reductions since 2016/17.

Clearly, there are risks here in terms of reduced local government funding and reduced IBCF and Public Health Grant allocations and what compounds this is that we will not know until the autumn of 2019 (possibly as late as November) what the Government's plans are. However, the MTFF considers a risk allowance for this, but we still may have to revise this depending on what is announced in the Spending Review and the 2020/21 Settlement.

(c) New Homes Bonus (NHB) Grant

In the 2019/20 Settlement Technical Consultation, the Government stated that *"2019-20 represents the final year of NHB funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation*". Our interpretation of this and of information from other sources is that funding for housing incentivisation will remain after 2019/20 but at a greatly reduced rate compared to entitlements over the period 2011/12 to 2019/20, and with a revised distribution methodology. We have been expecting something like this for some time and so the anticipated NHB/Housing Incentivisation entitlements in 2020/21 to 2022/23 assumed in the forecast above, are significantly lower than those received in previous years.

(d) Fair Funding Review

A new system of local government funding will be introduced when the Government completes its Fair Funding Review and associated transition arrangements to protect authorities that lose from the Review. The Review is planned to be completed in the Summer of 2019 and introduced in 2020/21, and it holds significant risks for the Council.

The Review involves the production of a new formula driven assessment of local authorities' needs and an assessment of resources. The same formula will apply to all authorities. A comparison will then be made between the two constructs and if an authority's needs exceeds its resources it will receive a payment equal to the difference (currently called a top-up); but if its resources exceed its needs then it will then make a payment equal to the difference into a pool (central or local) which will be re-distributed to top-up authorities (the payment is currently called the tariff). Hackney will receive a top up under the new system. For Hackney, there are 3 main factors which drive our Needs Assessment: - Deprivation, Area Costs and Population.

With regards to deprivation, most of the deprivation factors used in the current needs assessment date back to 2011 (Census) and to 2012. Since then Hackney has become less relatively deprived according to measures such as the Index of Multiple Deprivation (IMD) and Free School Meals and so it is very likely we will lose out from the review of the factors. The replacement of some of the factors will be necessary given the introduction of Universal Credit.

The Area Cost (ACA) is an adjustment factor which compensates authorities that face higher salaries and wages costs and business rates costs, through increased funding. The former is much larger element than the latter. In its present form and geographical division (i.e. a whole of London ACA) the ACA is extremely beneficial to us, but it will be reviewed by a separate technical group as part of the review. As almost every proposed change in recent years has reduced the funding Hackney gets from this factor, we are less than enthusiastic about the outcome of the group's work.

Whilst we could potentially lose from any changes to the deprivation factors and the ACA, the proposed treatment of Population is one element that may benefit us as CLG are now proposing to use projections rather than a static count.

With regards to transitional arrangements, prior to 2011/12, a safety net was applied which unwound the losses from changes to the needs assessments over a long timescale. However, in 2011/12, most authorities, including Hackney's losses were unwound in just two years (the year of introduction and the following year). It follows that if it looks likely that we will lose from changes to the needs assessments, the final outcome will depend on the tightness of the safety nets employed.

In a consultation document released just before Christmas, the Government is proposing to allocate out the Environment Needs Assessment (c. 30% of the overall assessment) simply based on population and the ACA. This will disadvantage high need councils such as Hackney and other urban areas, particularly the inner-city ones, that benefit from the application of the additional cost factors. Given that the proposed per capita distribution will result in less accurate needs assessments than the current assessments, it looks likely that this proposal is politically motivated to move money away from urban areas to the shires. How can the Government legitimately propose a way of allocating funding that assumes that the need to spend on Environmental services, such as waste collection, street cleaning, homelessness, public transport and libraries for example, depends on population only and that factors such as poverty, density, housing occupancy type and deprivation play no part.

The Government is also proposing to inject significantly more resources into rural areas to be paid for by non-rural areas on the basis of scant empirical evidence. It is even considering introducing a measure of rurality into the ACA. Again, this looks a politically motivated move and it looks increasingly likely that the Fair Funding review, on the basis of the Christmas consultation, is becoming a vehicle for reallocating money away from the inner-city urban areas to shire area councils.

There is also a consultation paper on resources and there are two issues here which are of concern. Firstly, CLG will be using NNDR 3 (2018/19) to determine our share of the resources assessment (which is taken off the needs assessment to get the top-up) which means the Principal Place Rateable value will be picked up; and secondly, the CLG are proposing to include car parking income in the calculation of the resources element which may disadvantage us further.

We have allowed a funding loss of £20m in 2020/21 and 2021/22 in respect of these uncertainties in the MTFF but if the losses are any greater, this will adversely impact on the forecast.

(e) Brexit

It has been emphasised by the Government that a negotiated deal is still its preferred option. However, the impasse in Parliament means that "no deal" is possible. Focussing on the finance issues, a number of commentators including the Governor of the Bank of England, have highlighted the potential macroeconomic consequences of "no deal" arising from trade and currency fluctuations, with impacts to household and business stability. This may lead indirectly to increased pressure on local public services and income, and more challenging prospects for local growth. In addition, the Chancellor has already said that the Spring Statement 2019 will be upgraded to a full fiscal event should there be a 'no deal' Brexit. This suggests there is a strong possibility that the government will reassess its departmental budget allocations with the possibility of this having a knock-on effect on local government funding.

There is also the additional cost of funding the extra staffing capacity which will almost certainly be needed if a no-deal happens and as in any period of significant change, councils' business continuity and emergency planning duties and our anticipation of the possible unintended local consequences of "no deal" on exit need to be considered. After the referendum, for example, there was a rise in hate crime, and we would need to assure our communities that we had plans in place for any immediate community reassurance work. This could require an injection of resources.

Local Councils could also find major difficulties filling vacancies within the council (social care provision) which could result in the cost of these staff being 'bidded' up in the marketplace; and there could be issues about the continued employment and residency for non-UK EU citizens running vital public services, which could have a cost impact

We could also face additional costs from any new tariffs on imports from the EU and councils need assurances that for local regeneration currently funded from the EU will be funded by Government. The tariff issue could still arise even with a deal depending on the customs agreements which are agreed.

There could also be issues for procurement and we need either immediate UK replacements for the current governing rules or the opportunity to immediately reform the relevant EU laws.

The LGA has stated that the Government has confirmed that any additional responsibilities resulting in new financial pressures for councils arising from Brexit will be fully funded. It will be interesting to see what this covers (i.e. Additional cost of import duties?).

5.0 HACKNEY'S MEDIUM-TERM FUNDING POSITION

5.1 The Medium-Term Financial Forecast shown below reflects the potential funding reductions and cost pressures noted above but must be viewed as indicative at this stage in light of the funding uncertainties also discussed above. It assumes a 4% council tax increase in each year together with an annual increase of 1,350 Band D properties. The business rates forecast assumes a £2m increase in income per annum adjusted for CPI inflation and we have assumed that the 2019-20 75% London Business Rates Retention (BRR) Scheme will continue through the Medium Term Financial Forecast period. We do expect to make gains from the 2018-19 BRR scheme but they will not be known until the summer of 2019 and because of the uncertainty surrounding the additional from this source in 2019-20 and beyond we have not assumed any gains in the forecast. External funding is assumed to reduce by £20m across the period. The forecast is as follows: -

2020-21 TO 2022-23 INDICATIVE BUDGETARY FORECAST

RESOURCES	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**	**2022-23 £m**
Top-Up Grant	83.421	71.421	66.421	66.421
Business Rates Income	69.147	73.132	77.238	81.468
Council Tax Income	82.299	87.184	92.328	97.744
Public Health Grant	32.320	31.520	30.720	29.920
Other Grant and Surpluses (Note 1)	52.865	23.784	23.784	23.784
Total	**320.052**	**287.041**	**290.491**	**299.336**
SPENDING				
Cash Limits including Growth	271.522	273.092	277.992	279.692
Capital Charges & Depreciation	3.308	2993.308	3.308	3.308
RCCO	4.500	4.500	4.500	4.500
Levies	7.700	9.250	11.500	14.250
Pay Award	0.000	3.700	7.400	11.100
Corporate Items including one-off S31 Grant (Note 1)	33.022	14.812	15.612	16.412
Total	**320.052**	**308.662**	**320.312**	**329.262**
BUDGET GAP	**0.000**	**21.621**	**29.821**	**29.926**

Note (1): This line contains c. £21m of one-off grant and collection fund surpluses which are netted off by a contra spend entry in the Corporate Items line. They do not form part of either income or spend going forward.

The above analysis demonstrates that there is likely to be a budget gap of £30m over the period 2019-20 to 2022-23. However, because of the financial uncertainties, this must be viewed as indicative but should solidify by the end of 2019-20 when the 2020-21 Local Government Finance Settlement is published. We may get some idea of the position by the end of the summer though, when the Spending Review and 2020/21 Technical Settlement Consultation are due to be published. Turning to the sensitivity of the resources estimates, if the loss in external funding is an additional 5% over and above what we are forecasting, the deficit will increase by £7m and 10% over will increase the deficit by £14m

In order to bridge this gap, the Council is undertaking various savings initiatives. These are discussed below.

6.0 SAVINGS THEMES

6.1 There are four main themes which are now discussed.

6.2 Scrutiny Panels

6.2.1 The Council's Scrutiny Panels have established 4 budget scrutiny task and finish groups to consider the Council's current models of service delivery and related issues, as well as examining options for future delivery including the identification of cost savings and/or additional income generation to assist with the delivery of a balanced budget going forward. During the course of the year further such Panels maybe created around emerging themes.

The first Group is the <u>Scrutiny Task Group on Fees and Charges.</u> This Group has reviewed the principles agreed by the previous Governance and Resources Scrutiny Commission in 2011 to ensure that they are still relevant to the current challenges, and also to deal with questions such as to why we do not simply increase all fees and charges annually by an agreed inflation rate. The Group has considered the equalities issues in relation to fees and charges and in particular income inequality as well as the protected characteristics under the Equality Act 2010.

At its first two meetings, the group in principle agreed that they would recommend to Scrutiny and Cabinet that a revised fee structure for Children's Centres should be implemented, subject to further analysis and possible changes to some of the middle bands proposed. In addition, the Group considered recommendations in respect of parking charges that the Council has control over suggesting that above inflation increases should be considered in future in order to aid the overall objective of reducing pollution across the borough. The group will be making recommendations in respect of changes to the overarching principles adopted in 2011 in relation to the setting and review of fees and charges.

6.2.2 The Scrutiny Task Group on Early Years' Service is being set up in recognition of the significant changes at national level regarding the provision of this service as well as issues such as the ongoing sustainability of the current arrangements in respect of Children's Centres.

6.2.3 The Scrutiny Task Group on North London Waste Authority / Recycling & Waste will consider the current issues emerging from NLWA, particularly in respect of the provision of new facilities. It is being set up to ensure that Members and officers alike are fully conversant with the decisions that are likely to need to be taken in the near future on recycling and waste and the knock-on impact on recycling in the borough.

6.2.4 Scrutiny Task Group on Integrated Commissioning (CACH) will ensure that Members and officers alike fully understand the potential impact of this ongoing work, not least due to the scale of the budgets covered but also understanding the revenue and capital impacts as well as that on the use of assets across the organisations involved. Integrated Commissioning of health and social care between the Council, NHS City and Hackney CCG and City of London Corporation has now been in place since May 2017 and Health in Hackney Scrutiny Commission has had a series of rolling standing items on the work of the 4 Work Streams since then. This group will focus on the budgeting aspects.

6.3 Co-ordinated Cross Council Approach to the deployment of Resources

6.3.1 Another strand of work which is also underway is a co-ordinated cross-Council approach to how we deploy the significant resource we will still have including the HRA, DSG including the non-school's element and NHS resources where applicable. Within this stream, we need to ensure that everyone realises that the current and ongoing financial challenges must be tackled from a holistic corporate perspective. Ultimately, even after the next round of savings Hackney will still have considerable assets and resources available and these can be best harnessed if we look beyond traditional HRA, General Fund, Schools and Health resources to see how we can best deploy these for service provision and not simply look at them as separate entities. For example, this could include considering where aspects of where there are also ongoing issues with the HLT model that the Hackney Schools Group work needs to address for example further efficiencies might be made from a review of the corporate approach to back office functions.

6.3.2 The following themes have been identified and are being developed:

(a) Municipal Entrepreneurialism
(b) Productivity and Efficiency
(c) Demand Management & Cost Avoidance

6.3.3 Directorates in conjunction with lead members will also have to focus efforts on continued internal efficiency savings, further service transformations and driving out economies throughout the organisation.

6.4 Directorate Initiatives

Children's Adults and Community Health (CACH)

6.4.1 Savings development in CACH started with a RAG-rating of services based on existing cost pressures, political sensitivity and spend compared to other boroughs where data was available. A timetable has now been agreed which aims at full engagement with Cabinet Members from Mid-January to March 2019. It is anticipated that proposals will be spread evenly over 2020/21 and 2021/22 giving sufficient time for rigorous challenge of likely impacts, consideration of alternatives and implementation.

Now - 16th Nov 2018	19th Nov - 29th Nov 2018	30th Nov 2018	Dec - Mid Jan 2019	Mid Jan 2019 - Mar 2019
Development of Savings Proposals	Finance Queries and Clarifications	CACH Budget Board	Savings Refinement	Member Engagement

6.4.2 Adults Services developed a long list of savings opportunities over the summer and this has been prioritised with work focussed on developing proposals on 'big ticket' items where it is felt that greater savings can be achieved - the main areas to be explored for further savings are from Housing Related Support and a remodelling of Housing with Care (which is provided by in-house staff). These are being developed in the context of the learning from demand management work which was undertaken over the summer to ensure that by reducing provision in one area we are not creating a greater level of demand elsewhere in the system.

6.4.3 A longer term piece of work as part of Adult Services 'Promoting Independence' transformation programme focuses on implementing a new 'Three Conversations' model of care. Research has identified that this model has been successfully embedded across other Local Authorities, including Camden, Redbridge and Essex. It is based on providing a framework for conversations which supports demand management, personalisation and the embedding of the ethos of the Care Act 2014. It focuses on early identification of need, which takes account of an individual's strengths and assets and prevents escalation of crisis and delays longer term support where appropriate, seeking to sustain and develop individual independence and resilience. Funding secured from the City and Hackney Community Education Provider (CEPN) will be used for the support of a specialist transformation provider, 'Partners 4 Change' as well as project support to deliver the transformation. The introduction of the Three Conversations approach will not deliver cashable savings in the short term as it will take time to explore, deliver and embed this approach. However, it will be integral to the services approach to managing demand in the medium and longer term.

6.4.4 Children and Families have developed very high-level savings ideas which are now being worked in to outline proposals. The centerpiece will be a review of Early Intervention which will consider Young Hackney, Youth Justice and Family Support Services alongside services provided from Children's Centres. Given the manifesto commitments in these areas this will present a big challenge and Member engagement and input of the Young Futures Commission will be key to success as will presenting a strong evidence base of what works. The review will also need to consider the cessation of the Troubled Families programme from 2020 as at present there is no clear steer as to whether there will be a replacement funding stream in this area.

6.4.5 Other initial ideas in Children and Families which will deliver smaller sums include looking at data analysis across the Directorate, the Virtual School, the Safeguarding and Learning Service, use of third-party assessors and emergency duty arrangements.

6.4.6 Public Health have undertaken the RAG-rating exercise and been challenged to come up with proposals to deliver against the forecast reduction in Public Health grant reflected in the medium-term financial plan for the years 2020/21 and 2021/22 in line with the timeline set out above. Some consideration will also be given to whether any proposals can be brought forward to 2019/20.

6.4.7 HLT are facing considerable cost pressures as a result of the well-rehearsed under funding through the Dedicated Schools Grant of children and young people with additional needs. It is therefore anticipated that savings identified will be utilised in part to mitigate this pressure rather than contributing to the Council-wide budget gap. The main proposal likely to be taken forward in this area is a structured increase in child care fees on which officers are already in discussion with members. The Early Intervention review will also cross over into HLT and careful consideration will need to be given to what savings are ring-fenced to further address the cost pressure and what will contribute to the overall Council-wide budget gap. There will need to be thought given and a decision made as to the settlement around the SEND cost pressure.

The new Director of Education will be looking at the HLT staffing structure generally in the light of the Hackney Schools Group proposal, increasing alignment with Hackney Council and education priorities for our community. This will be done with a view to improving partnership working and accountability as well as ensuring efficiency and effectiveness.

6.4.8 As referred to previously, consideration is also being given to synergies across the Directorate which could contribute to the savings agenda. Given it is not expected that this will contribute a significant level of savings a couple of areas are being looked at in the first instance - procurement and performance review/reporting. The latter will need to be considered in conjunction with the service review of the MISA team in HLT which is currently being undertaken.

6.4.9 Overall, it is anticipated that a suite of proposals in the order of £7m will be identified. Given savings achieved to date and the cost pressures which exist across the many demand-led services delivered by the Directorate, very few of the proposals are likely to be easy to take forward. Care will need to be taken to ensure that sufficient evidence is provided for members in support of the proposals, a clear plan of engagement and consultation with service users and residents; and that work to manage cost pressures is not compromised.

Neighbourhoods & Housing Savings Development

6.4.10 Neighbourhoods & Housing (N&H) Directorate Leadership Team (DLT) has considered a number of financial planning papers throughout this year and have agreed a savings development strategy for both the General Fund services and the HRA. The directorate will also consider the potential for further integration of services to deliver efficiencies as part of this work.

6.4.11 In March, Neighbourhoods & Housing (N&H) Directorate Leadership Team (DLT), in response to HMT's ideas for pilots to "test" the themed approach to savings development, put forward the development of a TECKEL Company and/or trading opportunity. The development of this proposal is being led by the Director Public Realm to feed into the Municipal Entrepreneurialism theme. This work is progressing and a report setting out the options is being prepared for consideration by HMT later in the year.

6.4.12 N&H DLT agreed that the Directorate will mirror the themed approach to savings development agreed by HMT with each Director taking a lead on one theme for the directorate. Each head of service has been tasked to develop proposals within their services and once they have identified potential areas for savings the Directors will review and challenge the proposals developed under each theme. This will enable Directors to challenge the proposals and also to spot opportunities for integration of services or using good/innovative ideas in other service areas. This step in the savings development programme will be scheduled in to align with the corporate financial planning timetable.

6.4.13 General Fund savings proposals have been identified. However, for the 2020/21 and beyond savings further work is needed on the detail of the proposals and then engagement with Lead Members. The total sum of the potential savings that have been costed are as follows:

General Fund Services	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Savings Proposals	1,000	1,812	235	3,047

The saving for 2019/20 arises from the Corporate Income review which identified that the Parking Services can generate an additional £1m income per annum which can be used to fund relevant services as listed in the governing regulations. This has been included in the 2019/20 budget. We have also identified cost pressures within the directorate so that we can either find compensating savings to meet or prepare a bid for growth – noting that this may just increase the savings requirement for the Council. The resources required to deliver the manifesto commitments that are being led from the directorate have for the most part been costed and submitted to the Group Director Finance and Corporate Resources for consideration and inclusion in directorate budgets.

6.4.14 Housing Revenue Account. The starting point for the future years' budgetary forecast is the HRA business plan financial model which has been updated to take account of latest information to reflect latest property numbers.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Resources	138.903	137.662	138.410	141.178
Expenditure after approved/agreed savings	138.903	141.668	145.122	148.750
HRA – Savings Requirement	**0.000**	**-4.006**	**-6.712**	**-7.572**

The HRA Business Plan financial model requires savings in order to deliver the strategic objectives for housing services and the housing improvement plan. There is also the need to balance the competing priorities of:

a) Maintaining and improving the service we deliver to our tenants and leaseholders
b) Maintaining the investment in our housing stock
c) The delivery of our housing regeneration programmes; and
d) Ensuring that financing costs arising from the delivery of the housing capital programme are affordable within the HRA following the removal of the debt cap.

All savings made in the HRA are re-invested in the housing stock.

The HRA Business Plan financial model is still being reviewed, the outcome of the stock condition survey has been received and will be incorporated into the financial model as well as the impact of the Asset Management Strategy and HRA Debt Cap removal implications There are a number of other risks facing the HRA that may impact on the quantum of savings that the HRA will need to deliver in order to balance the competing priorities outlined above, these include:

a) Growth in the HRA will need to be contained and dealt within the overall cash envelope available to the HRA as assumed in the modelling. For example, we modelled 1% pay increases to 2020, the pay award is 2% for 2018/19 and 2019/20, and savings will need to be found to meet this pressure.

b) The tragedy at Grenfell which has changed the focus of housing investment and could potentially increase or divert investment to ensure all Council properties meet fire safety requirements. In addition, the Council has sought independent advice on fire safety and these together with the recommendations of the public enquiry will have to be incorporated into future revisions of the HRA Business Plan.

c) There have been a number of significant announcements from Government which impact upon the HRA budget and Business Plan. These are not always joined up to the extent that they often appear contradictory. While welfare reform remains a significant risk, it is one that we have managed reasonably for the last couple of years. The roll out of Universal Credit (UC) is due to be implemented in October 2018 and will impact on future budget proposals.

d) The asset management strategy, currently in development, aims to increase the investment into our housing stock and once stock surveys are complete, the finances can be input to the asset management system and then into financial model. In addition, to managing the cost/borrowing, there are operational risks to increasing the investment that need to be considered:

- Capacity and technical skills of the staff required to deliver an increased and complex capital programme.
- Appropriate Governance is required to ensure efficient investment, value for money is delivered and programme does not overcommit resources.
- Expectation will be a need to be managed on what can be delivered in the transition period until appropriate contracts and processes are in place.

Housing Services have developed savings proposals totaling £5.1m phased as follows:

HRA	**2019/20 £000**	**2020/21 £000**	**2020/21 £000**	**Total £000**
Savings Proposals	3,937	1,050	150	5,137

There is still a gap in the savings identified to date for HRA services over the planning period. However, with £3.9m of savings identified for 2019/20 we are in a position to set a balanced budget for the HRA.

The Director of Housing Services has shared the savings proposals with the Lead Member and a further meeting has been arranged to get his approval and agree the engagement process with other Cabinet Members and the Resident Liaison Group prior to approval by Cabinet in January.

Finance and Corporate Resources

6.4.15 With the roll out of Universal Credit in Hackney now underway and the embedding of new and agile technologies, work is underway to see what different service configurations are suited to how the Council will provide services in 2022 and ensuring that they evolve and are responsive and efficient. For example, we have seen over 50% (c150,000) drop in footfall in the HSC and significant take up in online technologies and customer journey. Demonstrating and accounting for a return on investment in ICT solutions will be key.

6.4.16 In addition and linked to the need to ensure optimal service alignment around transactions from payments through to income collection to contact centres. The council tax team has undertaken various measures both IT and non-IT to improve account management and collection and as a result we expect to improve the collection rate by 0.5% in 2019/20 and by a further 0.5% in 2020/21. This will generate a saving of c. £400k in 2019/20 and a cumulative saving of £800k in 2020/21. We also expect savings from an on-going drive to identify taxpayers claiming a single person discount who should not be.

6.4.17 Further work to identify properties which are not paying NNDR that should be and for those on the list, whether the correct liability has been identified. It is not possible to say at this stage what the potential savings will be.

6.4.18 When contracts with suppliers come up for renewal, the directorate will renegotiate with the aim of reducing costs. Having agreed to opt into the national arrangements via PSAA for the appointment of external auditors, we have made a further annual saving of £52k representing 23% on the previous year. Finally, we will continue to take initiatives to maximise income from the commercial estate.

Corporate Initiatives

6.4.19 The key corporate initiative will be the introduction on a voluntary redundancy scheme which will be effective in 2020/21 with work beginning in 2019/20.

6.4.20 We have previously had two voluntary redundancy schemes since 2010/11 and on the basis of the payroll savings from these, we expect an annual saving of at least £11m

7.0 SCHOOL FUNDING

7.1. In 2016, the DFE released a model of what the new National Funding Formula (NFF) would mean for each local authority. Given the high budget reductions some schools would experience in moving to the new national formula, transitional budget protection was proposed. For Hackney this was expected to mean that in 2017/18 per-pupil funding would remain the same and over 2018/19 & 2019/20, Hackney schools were expected to lose 3% of funding per pupil in total. The position of schools from 2020-21 was ambiguous at that stage.

7.2. Throughout 2016 and the first part of the year in 2017, education funding was the subject of continued debate in Parliament. The controversy around the education funding proposals resulted in a delay in the final confirmation of the implementation of a NFF. On 17th July 2017 the Secretary of State for Education announced to Parliament an update to the NFF which saw additional funding being made available for schools so that no school experienced a per pupil cash reduction in their funding allocation in 2018/19 or 2019/20. At that time there was still no commitment in relation to 2020/21.

7.3. After extensive consultation, the NFF commenced on 1st April 2018 with 2018/19 and 2019/20 being labelled as 'soft years' - essentially transition years where local authorities had some continued discretion on the local formula. 2020/21 was labelled a 'hard year' where final school budgets would be set by central government using the new national formula and it could not be altered by local authorities.

7.4. On 24th July 2018, the Minister of State for School Standards made a further announcement on school funding for the year 2019/20 – which served mainly as confirmation of the commitments made by the secretary of state in July 2017. The main new items were an extension to the period where local authorities would set the local schools' funding formula to 2020/21. As well as changes to the growth funding formula.

7.5. There has not been any announcement or commitment to maintain or increase school per pupil budgets in 2020/21. This is a concern as it creates great uncertainty for those local authorities where per pupil funding levels are higher than the national formula per pupil funding levels.

7.6. The July 2018 announcement by the Secretary of State also included opportunities for the setting up of new free schools. This is a particular concern where the school is not fulfilling local authority basic need. If the new free schools are going to be delivered through DSG funding via the local authority, there is a degree of uncertainty over the full funding of these schools, given that the ESFA funded opening costs and first year of operation in the past.

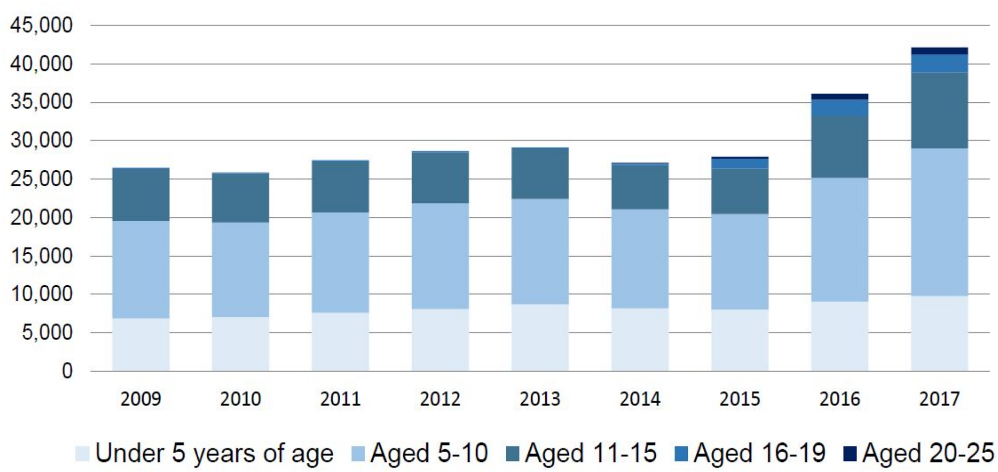
7.7. The extension of the local authority role regarding setting the local funding formula is now going to continue into 2020/21 – however, it is unclear whether or not this will also mean that local authorities can continue to ask Schools Forum to de-delegate funding. The HLT Finance team are assuming that it will mean that de-delegation can continue in 2020/21 if the Schools Forum in Hackney agrees. If this is not the case, then £1.8m of de-delegation funding could be lost.

7.8 Overall, schools are experiencing the first real-term cuts to budgets in 20 years as spending per pupil has fallen 8% in real terms 2009-10 to 2017-18 (IFS), the largest cut in spending since the 1980s. The relatively small recent funding increases of 0.5% fall well short of keeping pace with inflation and school costs. The uncertainty over future funding under the NFF remains a major concern.

7.9 The major issue facing the Council is the continuing escalation in unfunded SEND costs and the resulting overspend in DSG. This ongoing pressure is as a result of the increase in the number of young people subject to Education, Health and Care plans. This is an issue that is common across other London boroughs.

Age Breakdown	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Under 5	83	76	83	95	95	121	139	71	126	137	
5-10	507	514	516	535	551	570	617	611	676	706	
11-15	524	564	576	582	615	617	635	667	680	677	
16-19	70	62	61	72	88	91	138	252	251	268	
20-25								34	42	45	
TOTAL	**1,184**	**1,216**	**1,236**	**1,284**	**1,349**	**1,399**	**1,529**	**1,635**	**1,775**	**1,833**	**TBC**
Year on year increase		**2.7%**	**1.6%**	**3.9%**	**5.1%**	**3.7%**	**9.3%**	**6.9%**	**8.6%**	**3.3%**	

Figure G: Number of children and young people with new statements of SEN and EHC plans by age group
Years: Calendar year 2009 - 2017
Coverage: England



Source: SEN2 2010-2018

Increase in numbers % 2009 to 2018 54.8%

Increase in numbers % 2013 to 2018 35.9%

Average Annual Increase %2013 to 2018 7.2%

7.10 Overspends in SEND provision and transport are being offset by underspends elsewhere in HLT with the balance being met from reserves. Overall, there is a recurrent overspend in the DSG provision budget of around £6m in 2019-20 and rising. The education budget overspend is entirely due to SEND provision funding and costs, and related SEN transport costs. The forecast overspend is net of savings across HLT and one off funding arrangements like the £1m disapplication request related the 2019-20 financial year. Savings and / or in year underspends in operational budgets will be ring fenced to the SEND cost pressure as well as education improvement and risk management priorities.

7.11 Nationally and locally, the number of young people supported by an EHCP has increased dramatically since 2014 when the SEND reforms were introduced. Whilst some of the significance and consequences of the reforms were foreseen at the time, the actual scale of the impact was not. The most significant and long term implications for most authorities has been the immediate pressure on local mainstream schools to meet additional needs, as well as the supply of additional specialist provision and places in borough. The limited availability of local and/or maintained specialist provision means local authorities are increasingly reliant upon the independent sector. However, this is not sustainable long term and so authorities are having to plan for more local specialist provision. This of course has further financial implications, not least the requirement to 'invest to save' so potentially contributing to cost pressures in this sector in the short to medium term.

8.0 PENSION FUND

8.1 In the 2015/16 Budget Report, Members were provided with updates on the impact on the Pension Fund of auto-enrolment, the new benefit structure from the LGPS 2014 Scheme and the changes coming through to the State Pension Scheme and how these might impact on Council budgets.

8.2 Since auto-enrolment was introduced, participation rates in the pension scheme amongst Hackney employees have remained high. For budget setting purposes all staff are assumed to be in the Pension Scheme. Therefore, although Scheme membership numbers affect the level of contributions to the Fund, there is no financial impact on the 2019/20 budget. The introduction of freedom and choice in pensions, which has given pension savers the opportunity to access pension benefits early and withdraw cash from pension schemes, has to date continued to have minimal impact on LGPS members, with very little interest to transfer benefits out of the secure defined benefit structure offered by the LGPS.

8.3 2016/17 saw changes to State Pensions via the introduction of flat rate state pensions from April 2016 and this resulted in changes to the contribution rebates which both employers and employees receive for national insurance where they previously operated a contracted-out scheme such as the LGPS and the Teachers' Pension Scheme. The additional cost to the Council of the reduced rebate was in the region of £2.5m. Employees also saw a reduction in the pay they take home from April 2016 as a result of increased national insurance contributions.

8.4 31st March 2016 also saw the next triennial valuation process for the Pension Fund. The Fund's actuarial advisers review the changes since the last valuation considering a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the longer term and assess the assets that the Fund holds to meet these liabilities. At the previous valuation at 31 March 2013, the Fund was 70% funded i.e. it held 70p worth of assets to meet every £1 of liabilities. Over the 3-year period the assets of the Fund have increased significantly due to a mix of the contributions paid by the Council and other employers and employees, but also the investment income and capital growth in the investments held. However, whilst the assets had increased to almost £1.2bn as at the end of March 2016, liabilities also showed large increases to £1.5bn. However, the overall monetary deficit reduced by £55m to £350m representing an overall funding level of 77%. Following the receipt of the valuation data, discussions took place with employers in the fund in order to determine appropriate contribution rates. Given the position of the Council as a long-term stable employer, we were able to agree a reduction in the Council's overall contribution rate of 2% in 2017/18 followed by further reductions of 1% in both 2018/19 and 2019/20 and this has been accounted for in the budget setting process. This is a result of the use of a realistic approach to funding the Council's pension scheme in recent years.

8.5 31st March 2019 is the date for the next triennial valuation for the Pension Fund. Throughout the period of the last valuation, the funding level for the Pension Fund has been very volatile due to market conditions, which have been adversely affected at different times by events such as Brexit referendum and ongoing uncertainties as to any deal that might be reached come 29th March this year when the UK is due to exit the EU, the continued policies of the USA administration which appear to lean towards further isolation from global treaties and trade agreements, etc. This has meant that whilst asset values have continued to increase in the Pension Fund, the value of liabilities has also increased and as such indications are that funding levels currently have returned to the same level as those at the last valuation. This could impact on the ability of the Fund to further reduce employer contribution rates that impact on the Council's finances.

8.6 Finally, the Pension Fund has been working hard to collaborate with other LGPS funds both through national procurement frameworks and through a collective investment vehicle in London (LCIV). The government published criteria and guidance for all LGPS funds in England and Wales to pool all the investment assets into 6 pools of around £25bn a piece and asked each fund to come forward with proposals on how funds will deliver against the criteria and guidance. There are 4 criteria, namely economies of scale, governance, reduced costs and an improved capacity to invest in infrastructure. The LCIV was officially confirmed as one of the 6 pools, having already received FCA registration, established an authorised contractual scheme and already bringing assets into the sub-funds. The Council continues to work closely with colleagues in London to ensure the success of the London CIV, and has during 2018/19, transferred a significant portion of the Fund's assets onto the CIV platform, through implementation of its agreed investment strategy. Undoubtedly over time such changes will deliver significant benefits in terms of cost savings and opportunities to benefit from investment opportunities. Such benefits will however take time to flow through to the Pension Fund and ultimately the Council and therefore are not able to contribute to budget savings at this time.

9.0 HOUSING REVENUE ACCOUNT

9.1 The 30 year HRA Business Plan was considered by Cabinet in January 2016. As part of that report it was agreed that the Business Plan will be reviewed on an annual basis with an updated version of the financial model being produced when there are any significant changes to the assumptions or at least on a triennial basis.

9.2 The HRA Business Plan has been updated and incorporated into the HRA Asset Management Strategy which was approved by Cabinet in February 2019. The updated model includes:

(a) change in the borrowing assumption to reflect the removal of the HRA debt cap, whereby the model only reflects the existing housing stock against a prudent level of borrowing, with a separate model for Regeneration where borrowing is assessed on the basis of the viability of the programmes
(b) refreshed assumptions underpinning the model, largely to reflect the last year of the 1% rent reduction then an increase to CPI+1% for 5 years
(c) updated risks and sensitivity analyses; and,
(d) Assessed progress on delivery of the savings required to deliver a sustainable HRA.

9.3 The update shows a continued requirement for savings to invest in the housing stock as identified in the Asset Management Strategy and service improvements.

9.4 The previous Business Plan included £7.5m of savings over the period 2019-21. £4m of these savings have been identified and are included in the 2019/20 budget with the remaining £3.5m to be developed over the next year. Future years savings of £1m have been assumed in the Business Plan to fund capital investment but this will be dependant on cost increases from inflation and demand and for investment into services.

9.5 By separating the business plan and viability of the Regeneration Programmes it can be shown that HRA savings are being directly invested back into the housing service and existing properties and that the Regeneration Programme is 'self funded'.

9.6 The Council was also successful in securing £45.5m in grant funding for its regeneration programmes as part of the GLA's Building Council Homes for Londoners programme. This includes £10m is to be used to deliver additional Council social rent housing within existing programmes. A further £40m of RtB funding will be ring-fenced for a future housing development programmes.

10.0 CAPITAL STRATEGY

10.1 The Capital Programme key priorities are to deliver significant regeneration of the Borough to meet the changing needs and demographics of the community and which in turn lead to increased expenditure on Education and Housing through repairs and maintenance of current sites and the need to build new assets to meet demand.

10.2 The Council's capital programme is very ambitious. Besides the current programme, which currently totals over £280m for 2018/19, there are further significant schemes in future years in respect of the delivery of a new leisure centre and school on the Britannia site, significant housing development and regeneration and of course ongoing maintenance programmes such as that related to the highways, corporate property, schools, etc.

10.3 Its development and delivery is not without risk. The risks are many but in the main relate to both the sheer size of the programme and capacity to deliver it and the fact that much of it will require forward funding from the Council pending capital receipts, largely from sales of housing units in mixed use schemes, later on.

10.4 A further recent issue is the effect of Brexit on currency exchange rates and the knock on impact on costs of schemes, particularly where resources are sourced from overseas. The lower value of the £ against almost all currencies means that costs of these schemes are increasing and therefore the net return that was originally anticipated lower. The upside of the impact of Brexit from a financing perspective is that interest rates are likely to remain low for longer and so the Council should be able to take advantage of borrowing when required at a lower cost than it would have been previously.

10.5 For the reasons set out above a thorough review of the approved capital programme is required to ensure that schemes remain viable not just on their own but taking a much wider view of likely aggregate cash flows and treasury management issues that arise from the delivery of the programme.

10.6 Alongside this, we are currently taking stock of all known and potential capital receipts due to the Council from existing schemes and agreements in order to ensure that these are able to be applied in the most efficient manner to the financing of the capital programme and to identify resources for the newer proposals being developed as indicated above.

10.7 More detail of the capital programme and strategy can be found in the Council's 2019/20 budget report and the new Capital Strategy that forms part of that report.