

OUR PREPARATIONS FOR THE NEW BUDGET

1.0 The key driver of the 2020/21 General Fund budget process is our forecast of sustainable funding for the year. Effectively this sets the maximum level of sustainable expenditure (i.e. directorate cash limits for the year plus required corporate spending) that can take place. There may though be some additional one-off spending which is funded by available one-off funding. Any changes to the forecast made during this year are reported to Cabinet through regular finance update reports.

The resources forecast comprises four main elements: -

- (a) forecast council tax income
- (b) forecast business rates income
- (c) general funding grant from government, which covers all general fund expenditure (top-up grant)
- (d) specific government grants such as IBCF and New Homes Bonus grant

2.0 We monitor council tax and business rates income throughout the year, so we are able to include robust estimates of these income streams in the forecast. However, this is not the case for (c) and (d). We were expecting a three to five year spending review in the autumn of this year which should have given us some idea of what specific grants we would get [(d) above] and some idea of the totality of funding which will be available for the top-up grant, although it would have given only some idea of our allocation [(c) above]. In December, we then expected actual allocations for all grants in (c) and (d) to be published in the Local Government Finance Settlement Report. We would therefore have had some indication of future funding position in the autumn. However, because of the uncertainty caused by Brexit and the Conservative Party Leadership contest, we may not get any information at all on future funding until the Local Government Finance Report is published in December. This makes robust budget planning for 2020/21 and beyond, very challenging to say the least. Worse still we expect the Government to introduce a new system of general grant funding (the top-up grant) in 2020/21, which we will almost certainly lose from but at this stage, we have no indication of by how much. We have built an assumed funding reduction in the forecast to reflect this, but we won't know whether we have understated or overstated this until December which may require late adjustments to the 2020/21 budget.

3.0 Having formulated the resources forecast (but recognising that it may change if the Government does release any meaningful funding information before December), the next stage in the process is to derive a total expenditure estimate. The starting point is the sum of 2019/20 directorate cash limits and corporate requirements (such as capital charges and superannuation and pay award), incremented by known service cost pressures such as those in temporary accommodation, childrens' services and adult social care.

4.0 If we compare the spend estimate to the resources estimate, it is clear that we have a significant budget gap (£30m over the period 2020/21 to 2022/23) which means that savings (including increased income) are required to balance the budget in 2020/21 and in the following years.

5.0 We have known this for some time and so directorates have been working on identifying savings opportunities for members to consider. Cabinet and HMT have also agreed a process for considering, reviewing and approving these proposals, which cover the period 2020/21 to 2022/23 and which revolve around 5 themes, which are discussed below.

- 6.0 The Council's **Scrutiny Panels** 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. The task and finish groups are considering Fees and Charges, Early Years' Service, North London Waste – Recycling and Waste and Integrated Commissioning.
- 7.0 Two **Cabinet led working groups** have been established. The working groups are starting with only officers and Cabinet members in attendance; once Cabinet members are content with / have had an opportunity to interrogate the proposals, they will be opened up for backbench Members to attend, before reporting to the formal scrutiny structures. Membership of each group includes representatives from Communications and Consultation, to ensure communications and engagement needs are considered from the outset. The first group is reviewing Libraries, Museum and Green Spaces and the second group is focused on Workforce including voluntary redundancy/ use of agency staff and the development of an overarching workforce strategy. A third Cabinet led working group will be established to review Housing Related Support in 2020.
- 8.0 In parallel to the Cabinet led working groups, it has been agreed to establish **Steering Groups** to review Customer Services and Early Help. Whilst these reviews are likely to lead to savings being identified, they are not driven by the budget process and the need to deliver savings; these Steering Groups will therefore sit alongside the budget process but are not formal Cabinet budget working groups.
- 9.0 Another strand of work which is also underway is a **coordinated 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.

The following themes have been identified and are being developed:

- (a) Municipal Entrepreneurialism
 - (b) Productivity and Efficiency
 - (c) Demand Management & Cost Avoidance
- 10.0 Various **Directorate Savings Initiatives** are being worked on by Directorates in conjunction with Lead Members with a view to bringing them to Cabinet and Group in the Autumn.
- 11.0 During the Autumn we will introduce the approved savings into the budget forecast, revise the budget gap and begin intensive work on formulating the 2020/21 budget. During this time, Cabinet will also have to agree a council tax level for 2020/21. This is an iterative process and the final iteration cannot take place until the 2020/21 Local Government Finance Settlement is published in December. Only then can we begin finalising the budget. The finalisation process will take place in December but could spread into January depending on the outcome of the Local Government Finance Settlement.

MAJOR GENERAL FUND REVENUE FUNDING STREAMS 2019/20

1.0 The major revenue income streams are as follows: -

FUNDING STREAM	£m
Housing Benefit Subsidy	290
Dedicated Schools Grant	210
Business Rates (including prior year surplus)	74.4
Top Up Grant (General Grant)	83.4
Council Tax	82.3
Specific Government Grants including Public Health £32.3m, Social Care Grants £24.5m & New Homes Bonus £8.4m	76.5
All Other Income including Fees and Charges	191
TOTAL	1007.6

2.0 Housing Benefit Subsidy simply compensates us for the subsidy payments we have made to claimants whilst most of the DSG goes directly to schools. So half of our income funds expenditure that the Council has no control over at all and there are other smaller grants that also fall into this category. In fact our controllable spending associated with this funding is well under half of the total.

3.0 There is huge uncertainty about the future levels of our Top-Up grant and Government hasn't even yet confirmed that any of the Specific Grants will continue into 2020/21 and beyond. We certainly expect Public health Grant to continue and New Homes Bonus too at a much reduced rate but we have no intelligence on the future of Social Care grants.