

LONDON BOROUGH OF NEWHAM

CABINET

Report Title	Draft and Provisional Budget 2022/23	
Date of Meeting	7 th December 2021	
Lead Officer	Andrew Ward, Assistant Director Finance and Transformation andrew.ward@newham.gov.uk	
Corporate Director	Conrad Hall, Corporate Director of Resources	
Lead Member	Councillor Terence Paul, Cabinet Member for Finance and Corporate Services	
Key Decision?	No	Reasons: This report publishes proposals for resident, businesses and stakeholder engagement, to inform decision making in February 2022.
Exempt Information & Grounds	No	
Wards Affected	All	
Appendices	<ol style="list-style-type: none">1. Draft Efficiency Gains for 2022/232. Planned Medium Term Financial Strategy Savings from the March 2021 Budget report to Full Council3. Summary of previously agreed MTFS savings planned for 2022/234. Draft Departmental Budgets 2022/235. Draft Capital Strategy	

Lead Member Introduction

Despite the ongoing challenges posed by the Covid-19 pandemic, as well as financial and inflationary risks as detailed in this report; the Council's financial planning and improved governance framework enabled it to manage a challenging budget position over the current financial year. The three-year budget set in March 2020 provided a solid platform, building on the 2019 budget.

As a consequence of the budget decisions made over the last three years, the overall impact is that relatively minor budget adjustments are proposed for the coming financial year, with growth to those essential services under pressure funded by a focus on efficiency gains. The proposals in this report, if adopted, would result in a balanced budget being set for 2022/23.

The current estimate of the additional financial impact of Covid-19 upon Newham's finances in 2021/22 is £28 million. Government Covid-19 funding amounted to £19 million, leaving a funding deficit of £9million. This comes on top of a £9m funding shortfall the previous year. If Central Government had kept to its promises of funding local councils to protect their residents and essential services, then our financial position would be different.

The proposed Council tax rise of 2.99% for 2022/23, is less than originally planned in last year's budget of 3.99%, and less than the actual rate of inflation, which is 4.2%. Newham's council tax is currently the 6th lowest in London, and the current Band D Council Tax charge for Newham is the lowest of the east London councils.

From the planned increase of 2.99%, 1% (£0.9m) will be used to provide additional financial resources for Adult Social Care, which is essential to ensure that those most vulnerable of Newham's residents are supported well.

Despite the tough financial conditions facing the Council, the proposed budget allows for £1m of extra funding to be given to Children and Young People Service (CYPS) to support those young people who are from families with No Recourse to Public Funds (NRPF), following sustained increases to the level of demand through the pandemic. Furthermore, an additional £1.8m will be provided to cover for demographic and cost pressures being experienced in Children's Social Care. Despite tough financial conditions, the priority remains to provide essential services to residents, especially the most vulnerable.

The provisional local government financial settlement from Government will be made public in mid/late December, which will enable a final budget position to be developed for 2022/23, and go to Full Council for approval in February 2022. Prior to that, the Council seeks engagement on the proposals from local residents and stakeholders from our community, alongside discussions with members through Scrutiny's Budget Working Commission.

This draft and provisional Budget for the 2022/23 financial year enables us to stay on course with our Towards a Better Newham recovery plans, with a focus on building sound financial foundations for the years ahead. Therefore, during these tough times for local government, I commend this budget to Cabinet as a demonstration of our sound financial management and our ongoing drive to improve efficiencies in the Council so we continue to deliver much needed and vital services for local residents facing the burden of high living costs and a challenging period because of Covid-19.

1. Executive Summary

- 1.1. Cabinet are asked to approve, for the purposes of engagement and consultation, the draft budget proposals detailed in this report for the 2022/23 financial year. This includes a draft council tax increase of 2.99%, which is in line with the previously agreed financial strategy. The final budget report, including a formal recommendation on the council tax, will be presented to Full Council in February 2022.

1.2. The draft and provisional budget is being presented against a backdrop of considerable uncertainty, particularly in three key areas.

1.2.1. Firstly, the impact of the pandemic on communities, and on the financial position of local authorities, has already been profound. It is still unclear what the longer-term impact will be in many areas, but as a minimum it seems likely that there will be considerable catch-up costs in areas such as social care, which will put further pressure on local authority budgets. In addition, although considerable progress has been made the Council still faces a forecast overspend in the current financial year.

1.2.2. Secondly, inflation, which on the Consumer Price Index (CPI) measure was at 3.1% in September and rose to 4.2% in October. This is already at the highest level for some years and it will probably rise further before any reductions are seen, placing pressure on household and local authority budgets alike. The medium-term inflation forecast is probably less certain than at any point in the last five or more years, making financial planning more difficult.

1.2.3. Thirdly, although the Spending Review announced on 27 October was more favourable for local government as a whole than had been anticipated, the details of individual local authority allocations are not yet known. Officers' current working assumption is that these will be published on or about 15 December. Clearly, the outcome of this may require some changes to the draft budget proposed here.

1.3. Despite these uncertainties the Council's financial planning has been and will continue to be effective. The three-year budget set in March 2020 provided a solid basis for long-term planning, building on the 2019 budget. This was updated in 2021 in response to the financial impact of the pandemic. The overall impact of the budget decisions made over the last three years is that the focus for the coming year is very much on efficiency gains. Subject to the various uncertainties summarised above and detailed throughout the report, the only new budget proposals are expected to have minimal direct impact on front-line service provision. These are detailed at Appendix One. For convenience, the previously agreed savings set out over the three year period are set out in Appendix Two, and those which will first take effect in 2022 are repeated and detailed in Appendix Three.

1.4. The proposals in this report, if adopted following consultation and engagement, would result in a balanced budget being set for 2022/23. For the reasons set out above, the position beyond that date is uncertain, but on anything other than a very optimistic scenario substantial savings will be required beyond that date. This budget focuses on management efficiencies and improving value for money will continue to be a key management focus. Nonetheless, without more substantial funding increases from central government, it is likely that by February 2023 and beyond the Council will have to contemplate further substantial savings to services, in line with projections consistently being made across the local authority sector, which all Councils will be facing.

2. Recommendations

For the reasons set out in the report and its appendices, Cabinet is recommended to:

- 2.1. Approve the draft budget proposals for the year 2022/23, as summarised in this report and detailed in Appendix One, for the purposes of the scrutiny and engagement processes outlined in section 5 of the report;
- 2.2. Receive and approve the final budget proposals informed by the results of the scrutiny and engagement, at its meeting in February 2022 for recommendation to full Council on 28 February 2022; and
- 2.3. Approve the re-profiling of the Capital Programme as detailed in Appendix Five, the Capital Strategy.

3. Background - Covid and the Current Year Position

- 3.1. The fully audited Statement of Accounts for 2020/21 showed the impact of the pandemic in that year, with the Council reporting a £9m overspend, driven by the gap between the costs of the pandemic and the funding available to support it. This depleted the general reserve from £13m to £4m. The Council's 'Towards a Better Newham, Recovery and Reorientation' budget, approved in March 2021, budgeted for £3m to be used to replenish reserves over each of the following three financial years. No adjustments to this part of the financial strategy are proposed by way of this report as ensuring an appropriate level of reserves over the medium-term is a cornerstone of good financial management.
- 3.2. The pandemic and its financial impacts have clearly continued beyond 2021/22. In the Q1 budget monitoring the Council reported a projected £12.5m overspend for the year. Following management action, the Q2 budget monitoring for the council reported a £5.8m overspend. This is net of all the pandemic related emergency funding from Government, which has been fully accounted for. In total £18.6m has been received, and this is not expected to increase in the remainder of this year. For clarity this sum is made up of;
 - Contain Outbreak Management Fund £4.8m
 - Q1 Covid Emergency Funding £12.5m
 - Sales Fees and Charges Compensation £1.3m
- 3.3. The total Covid related cost pressures, including the impact of delays to the agreed budgeted savings is estimated at £28m in 2021/22. This does not include the impact of the sharp fall in council tax collection rates, which fell by approximately 6% in the 2020/21 financial year and have not yet recovered. In other words, the overspend continues to be driven by the gap between the local costs of dealing with the pandemic and the funding available to meet it.
- 3.4. Management actions continue aiming to reduce the overspend and achieve a balanced budget position this year. Provisionally, the overspend has continued to reduce and as at the end of October was approximately £4m. The continued improvement in the position is of course welcome but further work

will be required to bring expenditure back to budget. A Q3 budget monitoring report will be presented in January 2022 updating Cabinet on the latest position.

4. Background - Government Autumn Budget and Spending Review

4.1. The Chancellor delivered the Autumn Budget and Spending Review to Parliament on the 27 October 2021. It confirmed real terms increases to Local Government as a sector. Over the next three years local government “spending power” will rise by an average of 3% p.a. in real terms or 5% p.a. in cash terms. “Spending power” is a government measure which at least some commentators have argued contains technical flaws. A key point to note is that it includes an assumption that all local authorities will increase council tax by the maximum amount allowed under legislation, 2.99% in Newham’s case for 2021/22, and so it is not (solely) a measure of government funding for local authorities.

4.2. Looked at in isolation, local government received larger increases than any other department, as illustrated by Chart One, below. However, Chart Two demonstrates that the effect of these increases would only return local government spending power to its 2014/15 level. In addition, officers estimate that at least the first £1.5m of any new funding will be returned directly to government by way of increased employers’ national insurance contributions (NIC) as part of the Health and Social Care levy. Probably more significantly, there will be substantial additional cost implications of government policy, not least the Adult Social Care reforms, plus the risks of inflation, lasting Covid implications and other demographic demand led pressures in subsequent years. In short, it is far from certain that the spending review will actually translate into any net additional resources for Newham.

Chart One – Resource Departmental Expenditure Limits – 2021-22 to 2024-25 (annual average real terms % change)

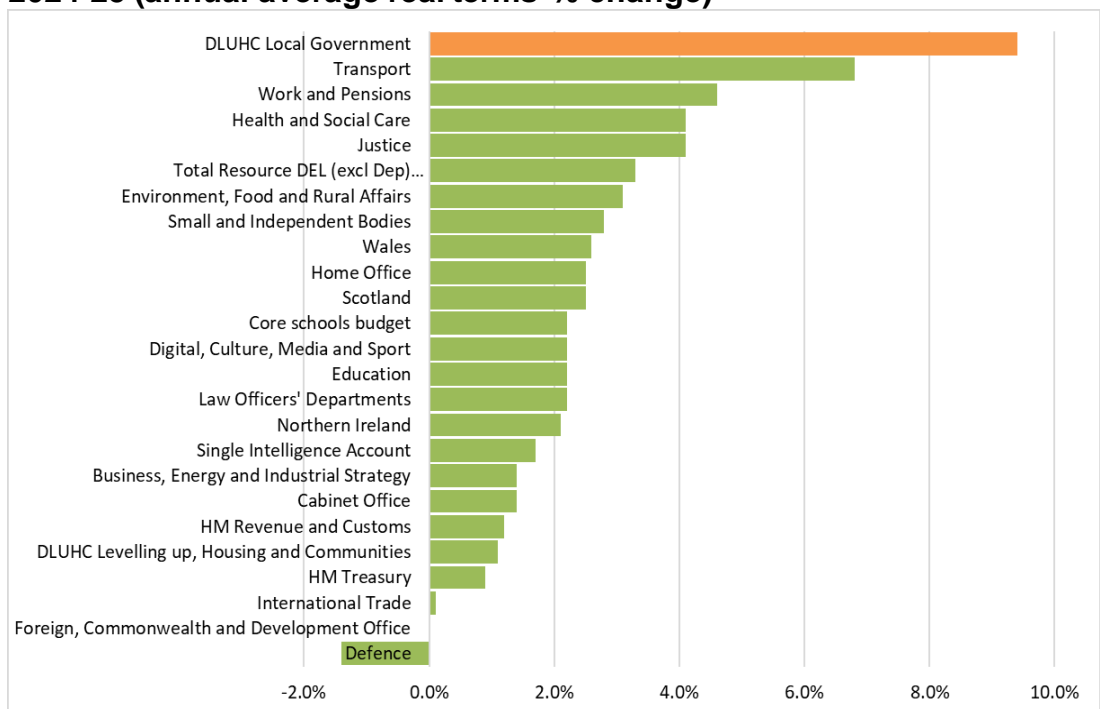
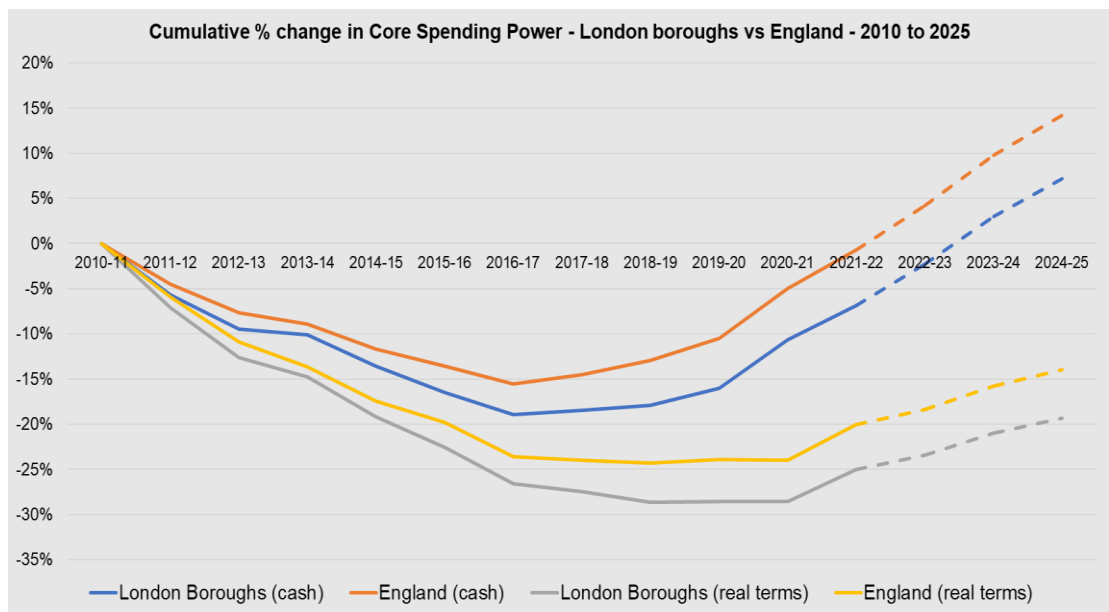


Chart Two – Change in Local Authority Spending Power



- 4.3. Despite the Spending Review setting out a three-year position for government departments, it is not yet certain that this will translate into a clear three-year settlement for local authorities. Without this any financial planning is necessarily limited. Even more significantly, the Provisional Local Government Settlement has not yet been announced, or even a date for it set. This will detail the actual grant allocations to individual local authorities. Based on the experience of recent years officers assume that it will only be published on or very shortly before Parliament rises for recess, which is on 16 December 2021.
- 4.4. Despite this, the Spending Review was clearly more positive for local government as a whole than had been anticipated and certainly more positive than officers' worst-case assumptions. It contains £1.6bn nationally of new money, although as set out above this will come with additional burdens and responsibilities. The methodology for allocation is not yet known, although it is expected to be used to support the Government's 'Levelling Up' policies. One element of grant funding that is significant for the London Borough of Newham is the New Homes Bonus, an estimated reduction of £3.5m which has had to be factored into the Council's financial plans.
- 4.5. From the information released it is believed that the Public Health grant will increase in line with inflation only, and not be subject to a real terms increase. The allocation of most other significant grants is not yet known and a provisional analysis of the new grants announced in the Spending Review suggests that they will not materially improve the position: for example the national figures for the Cyber Security grant suggests that Newham's allocation is perhaps unlikely to cover even half of the current costs.
- 4.6. What is clear is that the Fair Funding Review, which London Boroughs were generally expected to lose out on, will not now take place for 2022/23. The

delay is therefore likely to be of some temporary benefit to Newham, although the continued uncertainty remains a significant issue and inhibits proper financial planning.

- 4.7. It is not clear whether this £1.6bn is intended to rise in real terms over 2023/24 and 2024/25 to cover inflationary pressures. The Department for Levelling Up, Housing and Communities (DLUHC) are based on inflation forecasts which show the CPI rate falling back to 2.6% in 2023 and 2.1% in 2024. Some forecasters consider that there is a material risk of inflation staying higher for longer, which would potentially further erode the benefit of the additional funds announced in the Spending Review.
- 4.8. Alongside this risk, the funding will also be required to be used to fund demographic pressures, particularly in Adult Social Care and Children's Social Care over the medium term. There are risks of longer term 'scarring' from Covid costs. Adults Social Care currently have £7m of costs covered by Covid grants in 2021/22 It could reasonably be expected that up to £4m of this, which largely relates to packages agreed under health discharge arrangements, will persist in the next year. Whilst costs are managed down it would need to be funded by new agreements with health, and represents a clear example of increased costs that would need to be funded from the Council's share of the £1.6bn.
- 4.9. The proposals set out in this report therefore assume that current funding from government is, at a minimum, maintained in aggregate and that any additional funding which may be allocated to the London Borough of Newham for 2022/23 and subsequent years will need to be allocated to meet new demands, such as the Adult Social Care reforms, and cost pressures that it appears to be intended to address. This is a prudent position, which is appropriate given the significant financial risks faced. It will be reviewed once the implications of the provisional local government finance settlement are known. Given the probable timing of the settlement it is unlikely that it will be possible formally to update Cabinet on this at its January meeting and so officers will ensure that appropriate briefings are provided to keep Members informed of developments in the lead-in to the February Cabinet meeting.

5. Engagement and next steps

- 5.1. All of the new proposals for growth, council tax and efficiency savings in this report are in draft at this stage. As stated, the final decisions on the budget will not be made until the Council meeting on 28 February 2022. Whilst there is no legal duty to consult on the budget proposals, the Council wishes to engage with residents and other stakeholders to understand their views on the draft proposals. The following sets out the Council's proposals for public engagement on the budget proposals.
- 5.2. It is proposed to undertake the following engagement activities on the draft budget, if approved by Cabinet.
 - Engagement with the Public and Special Interest Groups

- Council Scrutiny through the Budget Working Commission

5.3. Residents can give feedback by emailing newham.budget@newham.gov.uk. This exercise will leave open the possibility of amending the proposals so long as a balanced budget can be achieved.

6. Proposals

6.1. The following sections detail the proposed changes to the financial strategy set in March 2021.

6.2. The February report will also include any budget changes required to ensure that technical adjustments are accounted for correctly, for example on the Minimum Revenue Provision which is made to repay the cost of borrowing.

7. Efficiency Gains

7.1. Given the current financial pressures and uncertainty on inflation, and in order to ensure a balanced budget for 2022/23, officers sought to identify £3-4m of possible efficiency savings from departmental budgets. For context £3m represent just over 1% of the Council's net General Fund Budget.

7.2. This was considered a reasonable and proportionate approach to budgeting. In theory the budget for 2022/23 was already balanced as a result of the effective financial planning and political decision making in March 2020 and 2021. However, as discussed in this report, the various risks and uncertainties meant that it was prudent to identify further savings. In addition, a focus on management efficiencies is always an important way of improving value for money.

7.3. The upper target of £4m was divided into;

- £2m to be found from corporate staffing initiatives on agency, management efficiencies, and a 1% reduction on non-management establishment budgets; and
- £2m to be found from departmental efficiency drives.

7.4. The resulting proposals represent efficiency gains, and do not represent deletions of functions or other policy choices. These are set out at Appendix One. For clarity, these efficiencies are additional to the £7m of savings already approved for 2022/23 is detailed in Appendix Two.

7.5. The corporate staffing initiatives are made up of;

- Deletion of 9 senior management posts (SMR grade), saving £0.8m, half of which has already been delivered with no recognisable impact on service delivery.
- A targeted £0.5m annual reduction in the cost of agency staff, split proportionately across departments in line with their current spend on agency. The current total weekly spend on agency staff is £0.7m per week so this is considered entirely achievable.

- A targeted 1% reduction in staffing budgets. This will be achieved through natural wastage of vacant posts no longer required, the holding of vacancies whilst providing internal opportunities, and other tightening of establishment budgets. There are some risks to delivery of this, but with proper management focus it is anticipated that it can be achieved with minimal impact on service delivery.

7.6. In some instances, the departmental targets above relating to the Environment and Sustainable Transport and Inclusive Economy and Housing departments have been substituted for increased targets in the departmental efficiency drives. For the departmental efficiency drives, an initial target of £2m was split proportionately across Departments in line with their existing share of spending.

7.7. Given the progress made on delivering against the improvement plan for Children's services and the likely timing of the formal OFSTED re-inspection of those services it was not considered appropriate to drive further savings from the CYP or Brighter Futures departments, over and above the corporate management savings.

7.8. The resulting proposed efficiency gains total £3.7m. They are detailed in Appendix One and summarised in the table overleaf.

7.9. Table 1 – Proposed Efficiency Gains for the 2022/23 Budget

Dept.	Agency Staff Reductions	1% reduction on non SMR budgets	Removal of SMR posts	Departmental Efficiency Drive	Total	% of Net Budget
	£'000	£'000	£'000	£'000	£'000	%
Adults & Health	156	161	69	634	1,020	1.0%
Brighter Futures	-	-	80	-	80	0.7%
Children & Young People	75	110	73	-	258	0.3%
Environment and Sustainable Transport	-	-	-	545	545	2.1%
Inclusive Economy & Housing	-	-	302	270	572	2.7%
oneSource	63	147	80	220	510	2.3%
People, Policy & Performance	46	175	85	270	576	2.3%
Resources	37	35	96	20	188	2.7%
	377	628	785	1,959	3,749	

8. Other proposed amendments to the Medium Term Financial Strategy

8.1. A change to the assumption that central government funding will decrease by £1.5m as a result of the Fair Funding Review. It is now clear that the Fair Funding Review will not take place for 2022/23, and so this assumed cut to funding can be removed from the planning for that year.

8.2. The Spending Review all but confirmed that council tax will be permitted to rise by a maximum of 1.99% plus an additional 1% for social care. Technically this is subject to revision but it is unlikely to change. The council, at its meetings of March 2020 and 2021 had previously planned on the basis of a 3.99% rise being allowed for 2022/23, which was consistent with the then prevailing legislation. The decision on council tax will be taken by Full Council, but the draft budget is constructed on the basis of a 2.99% rise, which is consistent with the previous position of increasing council tax by the maximum amount allowable under the legislation. In practical terms, a rise of 2.99% would cost a Band D household an extra 63 pence per week. Most Newham households (94%) are band D or smaller, and council tax relief of up to 90% is also available under the Council Tax Support scheme.

8.3. The effect of this would be to reduce the council's planned income by £0.9m, as the plans had assumed an increase of 3.99% would be allowable. Residents' views will be taken into account by Council at its meeting of 28 February 2022 when a final decision will be taken on council tax. As set out above, if the decision is taken to increase council tax by less, or not at all, then savings additional to those proposed in this report will need to be identified, to a maximum value of £2.7m if council tax were not to be increased at all.

8.4. For information, Chart Three below shows the relative council tax levels in London. Newham is currently the 6th lowest. If Newham were to increase council tax by 2.99% and all other boroughs froze theirs then Newham would become the 7th lowest in London.

Chart Three – Comparing Council Tax in London



8.5. Table 2 below shows that assuming a 2.99% increase, the current Band D Council Tax charge for Newham would remain the lowest in East London.

Table Two – East London Council Tax

Authority	Charge £
Havering	£1,575.38
Waltham Forest	£1,544.34
Redbridge	£1,468.36
Barking & Dagenham	£1,389.24
Hackney	£1,275.51
Tower Hamlets	£1,146.55
Newham	£1,136.67

8.6. The following allocations are proposed to departmental budgets as amendments to the previously published MTFS.

- £1m - growth to the Children and Young People Service budget for supporting families with No Recourse to Public Funds (NRPF), following sustained increases to level of demand through the pandemic.
- £1.8m - increasing the planned growth for demographic and cost pressures being experienced in Children's Social Care to £2m.
- £1m – in response to the limitations imposed by GLA minimum space grant requirements on property to be used for Temporary Accommodation, and the impact of this on the Local Space contracts.
- £2m – additional allocations to departments as detailed in paragraph 8.8 onwards below, to meet inflationary pressures in the purchase of supplies and services and contracts.
- At this stage the pay award for 2021/22 has not been settled and the recognised Trades Unions, nationally, are consulting their members. The current assumption in the financial plans is for further pay awards of 2% in 2022/23 and 2023/24. In light of current inflation assumptions this may need to be revised, which will be considered after the Local Government Settlement is announced.

8.7. The measures above, including the reduction in the assumed Council Tax from 3.99% to 2.99%, total £6.7m. The budget can be balanced by; making the budget efficiency gains proposed in this report, planning for some modest growth in the Council Tax base as set out in section Nine of this report, and by updating some assumptions on central government grants for 2022/23 where it is prudent to do so.

8.8. The Lower Tier services grant for the 2021/22 financial year was announced late in the budget setting process, and it was unclear whether this would be a permanent increase in funding. Officers now understand that this is in the base funding assumptions for local government grant allocations and this £1m can now be recognised in the planning for 2022/23. The MTFS has also been

adjusted to reflect the Fair Funding Review not taking place for 2022/23, so the anticipated cut to grant funding has adjusted.

- 8.7 In addition it is proposed to reallocate £2m of contingency budget held in Central items to the CYPS budget, in recognition of the clear patterns of cost pressures across Children’s Social Care services, and to provide the department with sufficient resources to avoid overspends.
- 8.8 The financial plans previously agreed included a budget of £1.2m which was allocated to meet extraordinary inflationary costs for specific contracts. General inflationary costs were to be contained and met from within departmental budgets. This is no longer considered sustainable.
- 8.9 Clearly the pandemic has had a huge impact on the general economy over the last two years, with deflationary impacts evident in 2020, and subsequent higher rates of inflation experienced in 2021 as the recovery and supply side constraints took hold.
- 8.10 Given the uncertainty inherent in the pandemic and the general economy it is difficult to confidently predict the impact of inflation in 2022/23, and this will remain a financial risk that has to be monitored. As at October the current rates of general price inflation (CPI measure) are at 4.2% and this is forecast to peak, possibly as high as 5%, before falling back towards the Bank of England’s mandated target of 2%. A 2% inflation calculation to be allocated directly to departments for 2022/23 has been based on existing budgets for contracts, supplies and services. It totals £3.2m and is detailed in the table below.
- 8.11 Note that a separate provision for pay inflation has been budgeted for at a 2% increase, equating to £2.7m, but that this does not represent a change to the existing MTFS. As noted above, there must be some risk that this will prove insufficient for 2022/23, although it is also true that government has at times indicated that it will give consideration to some form of pay freeze or other restraint on public sector pay.

Table 3 – Proposed Departmental Inflation Allocations

Department	Inflation Allocation £'000
Adults and Health	1,566
Brighter Futures	48
CYPS	646
Environment and Sustainable Transport	227
Inclusive Economy & Housing	322
RMS	70
OneSource	34
OneSource (Non-Shared)	249
People, Policy and Performance	82
Resources	12
Total	3,256

- 8.9. The resulting proposed departmental budgetary limits are provided in Appendix Four, which shows the previous planned changes in the MTFs for 2022/23 and then shows the impact of the above proposals and the efficiency gains on these budgets.

9. Council Tax

- 9.1. For Council tax itself, the referendum limit is expected to remain at 2%, but for the Adult Social Care precept, the Comprehensive Spending Review on 27 October 2021 the Government announced that the ASC Precept increase will be limited to 1% per annum, rather than the 2% which was previously planned for. The legislative details on Council Tax, are yet to be formalised, but the position above is not expected to change. The draft budget is constructed on the basis of a below inflation 2.99% increase (£2.7m) which is £0.9m less than previously built into the financial plans.
- 9.2. The tax base is central to the Council Tax system because it is the means by which the budget is translated into tax levels. For the next financial year, the tax base has been estimated at 81,872.4, under powers delegated to the s151 officer. This is a routine and technical calculation that simply tries to present the most accurate possible estimate of how many houses will be subject to council tax and the likely collection rates.
- 9.3. The 2022/23 Council Tax base is calculated by estimating the amount of properties in the borough on which the tax will be charged, adjusted for estimates on the collection rates that will be achieved. The number of properties is expressed as 'Band D' equivalents, and will increase in Newham due to the extensive housing developments taking shape across the borough. The collection rate will change from year to year due to the prevailing economic situations affecting the ability of residents to pay. The calculation for 2022/23 shows an increase of 1.9% when compared with the 2021/22 tax base. This equates to an additional £1.7m being raised for 2022/23 when compared to 2021/22.
- 9.4. The impact of the draft increases in Council Tax for 2022/23, shown annually, monthly and weekly, is demonstrated in the table below. For a Band D property, this will be an increase of £33.00 per year, £2.75 per month or 63p per week.

Table 4 – 2021/22 Council Tax Bands and draft increases

	A	B	C	D	E	F	G	H
Council Tax Charge 2021/22	£735.78	£858.41	£981.04	£1,103.67	£1,348.93	£1,594.19	£1,839.45	£2,207.34
Annual increase at 2.99%	£22.00	£25.67	£29.33	£33.00	£40.33	£47.67	£55.00	£66.00
Monthly increase at 2.99%	£1.83	£2.14	£2.44	£2.75	£3.36	£3.97	£4.58	£5.50
Weekly increase at 2.99%	0.42	0.49	0.56	0.63	0.78	0.92	1.06	1.27

9.5. The proportion of current chargeable properties in each Council Tax Band, is demonstrated in the table below. The majority of chargeable properties (93%) in Newham are in Band D or below.

Table 5 – Current Chargeable Properties

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Net Chargeable Dwellings	3,574	22,461	41,126	19,594	5,059	1,539	218	39	93,609
Band Proportion	4%	24%	44%	21%	5%	2%	0%	0%	100%

10. Sales Fees and Charges

- 10.1 It is proposed to increase Sales Fees and Charges in line with the budget and expected pay increases for Council Staff of 2%. The increases are used to fund the cost of providing services.
- 10.2 With current measures of inflation at 4.2%, a 2% increase to Sales Fees and Charges represents a below inflation increase to residents and service users.

11. Capital Strategy

- 11.1 The draft capital strategy for 2022/23 is set out in appendix 5. It also describes how a 10 year capital strategy prioritisation framework is being developed.
- 11.2 In the Spending Review 2015, the Chancellor made changes to the rules regarding the application of capital receipts. In summary, it was announced that for the financial years 2016/17, 2017/18 and 2018/19 the government would allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects subject to certain conditions and alignment with our Capital Receipts Strategy. In the Autumn Budget 2017 the Chancellor announced that this flexibility would be extended for an additional three years up to 2021/22. The Chancellor has just recently announced in the Autumn Budget 2021, a 3-year extension to 2024/25. Further details on this are due to be announced shortly.
- 11.3 Full Council agreed as part of the 2021/22 budget setting process that £10m of capital receipts could be utilised up to 2021/22 for transformational expenditure as defined in the Capital Receipts Strategy, under the Flexible Use of Capital Receipts regulations. Given the regulatory extension explained above it is proposed that this arrangement be likewise extended for the Council with the option of up to £10m per year made available for reforming projects which meet the conditions of the Capital Receipts Strategy.

12. Dedicated Schools Grant

- 12.1 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure supporting the schools' budget. The grant also covers wider support to fund pupils with special educational needs, through an element in the DSG known as the High Needs block, and for two, three and four-year olds in nursery and associated provision, through the Early Years element. Schools are funded through the DSG, not the General Fund. The National Funding Formula (NFF), which allocates DSG funds to local authorities, was introduced in 2018/19.
- 12.2 A study by the NAO found that "the Department [for Education] did not fully assess the financial consequences of the 2014 reforms" to the system for funding and assessing special educational needs, which has resulted in significant pressures to high needs funding nationally. The DSG is forecast to be in a deficit of around £13.5m by 31 March 2022, a reduction compared to the opening deficit of £15.2m. The deficit recovery plan is currently being updated in order to eliminate the deficit by 2026/27.
- 12.3 In the recent autumn budget, the government announced an increased investment of £4.7bn in the core schools budget by 2024-25, providing real terms pupil increases each year. Nationally this is equivalent to a cash increase of £1,500 per pupil by 2024-25, compared to 2019-20 levels, and restores per pupil funding to 2010 levels in real terms. Detailed information on funding for Newham will be announced in December 2021.

13. Housing Revenue Account

- 13.1 The Council is required to maintain a Housing Revenue Account (HRA), which is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring fenced account, which means that local authorities have no general discretion to transfer sums into or out of the HRA.
- 13.2 The Council is committed to investing in existing tenants' homes and building capacity to fund the development of new genuinely affordable homes for rent. The Council has set out ambitious plans for investment programmes in our existing homes and estates, to both improve our tenants' facilities such as kitchens and bathrooms, and to ensure the highest standards of building safety. On top of this, our focus for investment will be in the technology and measures to improve the thermal and energy efficiency and to 'decarbonise' our 16,000 rented homes.
- 13.3 The Affordable Homes for Newham programme is delivering more than 1,000 new homes at social rent levels started on site by March 2022; and the first homes are in occupation, with work in progress on sites across the borough. Separate reports are presented to Cabinet to request funding or authority to proceed with schemes in the programme.

- 13.4 The Government sets policy for annual rent increases in social housing, which from April 2020, allowed Local Authority landlords and Registered Providers (housing associations) to set rent increases up to inflation (as measured by CPI at previous September) plus one percentage point. The September 2021 CPI rate which was announced recently is 3.1%. This would mean a rent increase next April of 4.1%.
- 13.5 The CPI+1% policy applies only to the core rent for the property, as service charge increases are calculated separately. Last year, using the RPI measure of inflation, the Council applied an RPI+0.5% increase (RPI September 2019 being 2.4%, meaning 2.9% total) to service charges, except those for Caretaking and Concierge, which were frozen. As an indicator, the September 2021 RPI figure is 4.9%
- 13.6 The decision to apply the rent increase will be made through the Council's annual budget-setting process.

14. Delivering Council Policy and Corporate Priorities

- 14.1 The Council's budget underpins its policy and priorities across all service areas. The proposed increases to Council Tax and Fees and Charges are below inflation.

15. Alternatives Considered

- 15.1 This report contains proposals for engagement which achieve a balanced budget for 2022/23. As part of engagement alternative proposals can be considered, but must result in a balanced budget for the coming financial year.

16. Consultation

- 16.1 Cllr Terence Paul. November 2021

17. Implications

17.1 Financial Implications

- 17.1.1 The financial implications are contained within the body of this report.

17.2 Legal Implications

- 17.2.1 This report and its recommendations do not form part of the statutory budget and Council Tax decision making process under the Local Government Finance Act 1992 (as amended) and the Local Government Act 2000 (as amended). The proposals in the report are draft proposals on savings and growth subject to a public engagement process before the formal budget setting process at Cabinet and Council in February 2022.

- 17.2.2 The body of the report already contains legal implications. First, there is no legal requirement to consult with the public on the budget decision and setting

of the council tax. Second, in setting the budget, full Council agrees the overall spending “envelope” but does not implement the individual service provision decisions that make up the growth and savings proposals, as these are decisions reserved to the executive or officers with delegated executive powers. The individual service provision decisions, including growth and savings, will subsequently be made by Cabinet or officers with flexibility to make different decisions, for example as a result of consultation or the full assessment of the Council’s equality duties under s.149 of the Equality Act 2010 (the PSED). These duties will crystallise at the point the subsequent decision is made and provisional assessments are sufficient at this time.

17.3 Equalities Implication

17.3.1 The duty under s.149 of the Equality Act 2010 is set out below. As stated in the legal implications, no budget or service decisions are being made by this report and so the duty to have due regard has not crystallised and a “formative” assessment of the equalities implications are sufficient. It is nevertheless good practice to undertake the initial screening assessment of proposals and, in particular, to identify and rule out any proposals that would result in unlawful discrimination. No such proposals have been identified in the initial screening assessments.

17.3.2 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- foster good relations between those who have protected characteristics and those who do not. ‘Protected characteristics’ under the 2010 Act are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity, and gender reassignment

In meeting its equalities duties, the Cabinet as the decision maker should have regard to the equalities assessment and information before it. The discharge of the duty cannot be delegated to officers.

Due regard means giving proper and focussed consideration of the impact of the decision on meeting its equalities duties. The focus should be on any adverse equalities implications that will arise from a decision and how they can be avoided and / or how they are mitigated in the decisions. The amount of focus on the duties will vary with each decision and how far they adversely impact on protected characteristics.

This report does not make any decision on service provision. An equalities assessment will be carried out for the final budget proposals in February 2021 and this is compliant with the Council's legal duties. Councillors should note that budget decisions on services form only an allocation of funds to a service or area; they do not constitute the final decision on service delivery. Where changes to service delivery are proposed by budgetary changes, a full equalities assessment will be undertaken before the final decision is made by Cabinet.

18. Background Information Used in the Preparation of this Report

18.1 The following budget reports refer to and set out the Medium Term Financial Strategy described in the body of this report.

- Q2 Budget Monitoring report October 2021
<https://mgov.newham.gov.uk/documents/s150329/Overall%20Financial%20Position%20202122%20Quarter%202.pdf>
- Recovery and Reorientation Budget March 2021
<https://mgov.newham.gov.uk/documents/s143630/Towards%20A%20Better%20Newham%20Budget%20202122%20to%20202223Recovery%20Reorientation%20and%20Hope.pdf>
- Towards a Better Newham Budget February 2020
<https://mgov.newham.gov.uk/documents/s134809/Budget%20report%202020-21%20-%202022-23%20FINAL.pdf>

**Appendix 1 - Efficiency Gains for 2022-23
Summary**

Dept.	Corporate Wide Staffing Initiatives				Total	% of Net Budget
	Agency Staff Reductions	1% reduction on non SMR budgets	Removal of SMR posts	Departmental Efficiency Drive		
Adults & Health	156	161	69	634	1,020	1.0%
Brighter Futures	-	-	80	-	80	0.7%
Children & Young People	75	110	73	-	258	0.3%
Environment and Sustainable Transport	-	-	-	545	545	2.1%
Inclusive Economy & Housing	-	-	302	270	572	2.7%
oneSource	63	147	80	220	510	2.3%
People, Policy & Performance	46	175	85	270	576	2.3%
Resources	37	35	96	20	188	2.7%
	377	628	785	1,959	3,749	

Details

1) Management reductions, agency reductions and non-management staffing reduction

Proposal	Department	Description	Estimated Efficiency Gains 2022-23 £000
Agency Staff Reductions	Adults & Health	Proportionate share of Agency reduction saving target.	156
	Brighter Futures	Not deemed a realistic saving measure for this dept. which has relatively low levels of Agency Workers.	0
	Children & Young People	Proportionate share of Agency reduction saving target. Current plans are already predicated on significant Agency reductions.	75
	Environment and Sustainable Transport	Agreed to substitute this target with increased Directorate Efficiency Drive Measures in section 2.	0
	Inclusive Economy & Housing	Agreed to substitute this target with further actions on SMR graded staff.	0
	Resources	Proportionate share of Agency reduction saving target. Reflects increased permanency in Department establishments.	37
	People, Policy & Performance	Proportionate share of Agency reduction saving target.	46
	oneSource	Proportionate share of Agency reduction saving target.	63
			377

Proposal	Department	Description	Estimated Efficiency Gains 2022-23 £000
Reduce non SMR staffing establishment budgets by 1%	Adults & Health	To be achieved from; vacancy factors, internal acting up opportunities, and deletion of redundant vacant posts.	161
	Brighter Futures	Not deemed a realistic saving measure for this dept.	0
	Children & Young People	To be achieved from; vacancy factors, internal acting up opportunities, and redesign of services.	110
	Environment and Sustainable Transport	Agreed to substitute this target with increased Directorate Efficiency Drive Measures.	0
	Inclusive Economy & Housing	Agreed to substitute this target with further actions on SMR graded staff.	0
	oneSource	To be achieved from; vacancy factors, internal acting up opportunities, and deletion of redundant vacant posts.	147
	People, Policy & Performance	To be achieved by adding to savings targets for restructures already planned.	175
	Resources	To be achieved from; vacancy factors, internal acting up opportunities, and deletion of redundant vacant posts.	35
			628

Proposal	Department	Description	Estimated Efficiency Gains 2022-23 £000
Further Detail - Removal of one SMR post per overspending Dept., as set out in the Q2 Budget Monitoring Report	Adults & Health	Post has now been deleted following consultation.	69
	Brighter Futures	Reorganisation planned to take effect from April 2022 will deliver this efficiency.	80
	Children & Young People	Post for deletion is pending consultation.	73
	Environment and Sustainable Transport	Included for completeness - Dept. is not overspending so no post deletion was required.	0
	Inclusive Economy & Housing	It has been agreed that 1 x management post deletion is possible across the Housing Service.	102
	Inclusive Economy & Housing	Substitution for Agency and non SMR staffing actions. It has been agreed that restructuring and deletion of 2x SMR posts across the Community Wealth Building service is possible. Minor adjustments to employee budgets (natural wastage etc.) will meet the remainder of the target.	200
	oneSource	Post to be identified.	80
	People, Policy & Performance	Post has now been deleted following consultation.	85
Resources	Post has now been deleted following consultation.	96	
			785

2) Department Efficiency Drive

Department	Proposal	Actions	Estimated Efficiency Gains 2022-23 £000
Adults & Health	Leisure Programme	Efficiency gains following review of underspending Leisure budgets, no impact to current service offer.	125
	Pay inflation to be met from Better Care Fund (1.25% to 2.5%)	Pay inflation to be funded from the Better Care Fund rather than funded corporately.	200
	Co-production team contributions	Following review of the co-production budget across services a £50k budget reduction is thought to be achievable.	50
	Review of miscellaneous non-salary budgets	Review of non-staffing budgets	50
	Training budgets in A&H	Review of all training budgets in A&H	40
	Commissioning staff reduction (SMRA commissioner)	Post has been confirmed for deletion and costed.	69
	Mental Health Transformation	Transformation restructure of Mental Health team.	100
			634
Environment and Sustainable Transport	Optimising Collection Rates (Parking)	Growth in parking income equating to 1% of overall Parking income budget (£18.4m), improved deployment of officers etc.	185
	Greening Highway Lighting	Reducing energy consumption by investing in LED lighting and energy management systems and replacing old infrastructure with reflective bollards and signs.	50
	To fund Newham in Bloom through community neighbourhoods	Budget exists this financial year in Public Realm and has not been used to date. Proposal for this to be funded by community neighbourhoods instead.	70
	Public Realm income generation	£50k- Domestic Bin Charging Policy (new charge, primarily aimed at developers). £10k- Letting Income Stroud Pavilion and Plashet Café.	60
	Regulatory Services income generation	Increased income budget for health and safety, cemeteries and food safety to reflect current volumes of work.	50
	Community Safety income generation	£100k- New Enforcement contract plus an increase in FPN income target from other teams.	130
			545
Inclusive Economy & Housing	Following a review, a reduction in miscellaneous budget lines.	Underspends on miscellaneous budget lines have been identified with finance.	20
	Planning Officers	Need for a programme of training and consistency of service, focussed on Council responsibilities, which would result in an efficiency of 1 to 2 posts. £50k to £100k saving.	100
	Land Registry Searches	In advance of TUPE and responsibilities transferring to the Land Registry IEH to offer voluntary redundancy to the team and allow 1 x fTE post to be deleted. £50k saving.	50
	Levelling Up funding to fund service	Finance to work through detail (once available) of impact of Levelling Up funding and reductions to Business Support. A net saving to the Gen Fund is thought possible.	100
			270
People, Policy & Performance	Review of membership, subscription and training budgets.	£60k to be saved from these budgets. E.g. 10% reduction anticipated from general review, plus 5% reduction in LGA membership from switching to payment by Direct Debit.	60
	Raising of additional income from filming charges.	Currently forecasting £100k income against a £80k target.	20
	Reduction of postage charges in C-tax and Benefits.	Forecast of £250k against a budget of £307k.	57
	Directorate efficiency drive - Balance to identify	To come from; -Review of operational and administrative budgets including uniform provision, staff travel expenses, cleaning, ICT, stationery, licences, A/V equipment. -More efficient claiming of Housing Benefits and efficiencies from promoting greater take up of Direct Debits, and additional work on enforcement.	133
			270
Resources	Directorate efficiency drive	General efficiencies.	20
			20
oneSource	Directorate efficiency drive	Savings target to be added to oneSource Financial Recovery plan.	220
			220
			1959

Appendix 2
Summary - Previously Approved MTFs Departmental Savings 2020/21 to 2022/23

Year Savings Agreed	Department	Savings title	GF savings 2020/21 (£000s)	GF savings 2021/22 (£000s)	GF savings 2022/23 (£000s)
20-21	Adults & Health	Assessment and care management pathway	137	100	-
20-21	Adults & Health	Direct payments - new offer	962	175	419
20-21	Adults & Health	Capital investment and transformation programme	292	208	1,000
20-21	Adults & Health	High cost placements	1,146	104	250
20-21	Adults & Health	ASC new delivery model	1,129	131	-
20-21	Adults & Health	Double handed care	685	110	-
20-21	Adults & Health	Redefining the offer - community	729	-	-
20-21	Adults & Health	BCF expansion	500	-	-
20-21	Adults & Health	Miscellaneous budget review	313	38	120
21-22	Adults & Health	Care charging – remove £200 per week cap	-	300	-
21-22	Adults & Health	Further senior management review	-	100	-
21-22	Adults & Health	Review of previous agreed growth	-	1,500	-
Adults & Health Total			5,893	2,766	1,789
20-21	Brighter Futures	Capital investment and transformation programme	583	417	-
20-21	Brighter Futures	Early help and Intervention	150	-	-
		Reduction of buildings used uniquely to deliver children's health	-	100	50
21-22	Brighter Futures	Directorate efficiencies	-	60	-
21-22	Brighter Futures	Reversal of Head Start growth	-	500	-
Brighter Futures Total			733	1,077	50
20-21	Central	Change programme (Future Newham)	1,922	989	-
Central Total			1,922	989	-
20-21	Children & Young People	Ecam	415	-	-
20-21	Children & Young People	Leaving care move on	250	-	-
20-21	Children & Young People	CYPS operating model	980	-	-
20-21	Children & Young People	Capital investment and transformation programme	292	208	500
20-21	Children & Young People	Keeping families together	530	124	238
20-21	Children & Young People	EFF scheme efficiencies	582	-	-
20-21	Children & Young People	Leaving care project/CYPS	250	-	-
20-21	Children & Young People	Improving our service to families with housing needs	158	42	-
20-21	Children & Young People	CYPS workforce development	158	42	-
20-21	Children & Young People	Children with disabilities care packages	200	-	-
		Improved market management approaches for the commissioning of semi-independent and independent accommodation and support for young people aged 16-17 and 18+	-	-	-
20-21	Children & Young People		111	79	-
20-21	Children & Young People	CYPS improvement: care proceedings	29	21	50
		Accommodation for families where there is no main housing duty owed	-	1,500	-
21-22	Children & Young People	Care leavers 21+	-	900	-
21-22	Children & Young People	Enrichment	-	250	-
21-22	Children & Young People	Pause – non statutory prevention service	-	175	-
		Helping NRPf families: redesigning immigration advice provision	-	140	-
21-22	Children & Young People	Divert additional support service	-	250	-
21-22	Children & Young People	Health contribution for placements	-	150	-
Children & Young People Total			3,955	3,881	788
20-21	Environment and Sustainable Transport	Parking permit structure change	3,083	417	-
20-21	Environment and Sustainable Transport	Enforcement of moving traffic offences	1,583	417	1,000
		Cessation of the enforcement partnership team contracted under S92 Police Act 1996 contract	1,449	-	-
20-21	Environment and Sustainable Transport	Capital investment and transformation programme	292	208	-
20-21	Environment and Sustainable Transport	Parking debt management	146	104	250
20-21	Environment and Sustainable Transport	Street cleansing & estates cleaning services	233	167	-
20-21	Environment and Sustainable Transport	Parking pay and display charges review	400	-	-
20-21	Environment and Sustainable Transport	Parking PCN processing efficiency	88	63	250
20-21	Environment and Sustainable Transport	Bulky waste collection	228	163	-
20-21	Environment and Sustainable Transport	Parks and green spaces - Newham City Farm	194	138	-
20-21	Environment and Sustainable Transport	Curtilage waste collection	117	83	-
20-21	Environment and Sustainable Transport	Commissioning support restructure	58	42	-
20-21	Environment and Sustainable Transport	Parks and green spaces - Grounds maintenance	58	42	-
20-21	Environment and Sustainable Transport	Street light dimming	100	-	-
20-21	Environment and Sustainable Transport	Regulatory services	88	-	-
20-21	Environment and Sustainable Transport	Environment & Sustainable Transport restructure	48	35	-
20-21	Environment and Sustainable Transport	Fleetcare - income generation	32	23	-
21-22	Environment and Sustainable Transport	Review the impact of the low traffic neighbourhoods on pedestrian road safety measures in place	-	176	176
		Cleansing services insourcing with potential efficiencies/savings	-	150	350
21-22	Environment and Sustainable Transport	Green waste collection charge	-	160	-
21-22	Environment and Sustainable Transport	Community Safety restructure to target hot spots	-	300	-
21-22	Environment and Sustainable Transport	Reversal of planned cleansing growth	-	300	-
Environment and Sustainable Transport Total			8,197	2,988	2,026

Appendix 2

Summary - Previously Approved MTFs Departmental Savings 2020/21 to 2022/23

Year Savings Agreed	Department	Savings title	GF savings 2020/21 (£000s)	GF savings 2021/22 (£000s)	GF savings 2022/23 (£000s)
20-21	Inclusive Economy & Housing	Local space growth agreement	1,000	-	-
20-21	Inclusive Economy & Housing	Transfer high value TA to regeneration voids	667	45	-
20-21	Inclusive Economy & Housing	Workplace - service redesign	292	208	-
20-21	Inclusive Economy & Housing	Strategic economic regeneration - post reductions	290	-	-
20-21	Inclusive Economy & Housing	Regeneration – service redesign	170	50	-
20-21	Inclusive Economy & Housing	Staffing and consultant budget reductions	206	-	-
20-21	Inclusive Economy & Housing	Staffing and consultant budget reductions	117	83	-
20-21	Inclusive Economy & Housing	More effective use of management information to offset bad debt provision	200	-	-
20-21	Inclusive Economy & Housing	Strategic property purchase - savings against temporary accommodation costs.	95	68	-
20-21	Inclusive Economy & Housing	Building control - review of proportion of costs accruing from general fund/trading account	92	-	-
21-22	Inclusive Economy & Housing	Reduction in Planning FTE	-	73	-
21-22	Inclusive Economy & Housing	Conversion of nightly paid accommodation to an assured shorthold tenancy	-	205	-
21-22	Inclusive Economy & Housing	Move on acquisitions	-	450	-
21-22	Inclusive Economy & Housing	Making 'Local Space' work better for Newham Council	-	725	-
21-22	Inclusive Economy & Housing	Provision of housing welfare services to be accounted for in the HRA	-	300	-
21-22	Inclusive Economy & Housing	Reuse of AHFN S106	-	640	-
Inclusive Economy & Housing Total			3,129	2,847	-
20-21	oneSource	Process reviews	325	186	-
20-21	oneSource	Procurement savings	690	-	-
20-21	oneSource	Operation of the corporate centre model - procurement savings	583	417	1,000
20-21	oneSource	Review of contracts and good general fiscal management	590	-	-
20-21	oneSource	Operation of the corporate centre model	317	83	-
20-21	oneSource	Process efficiencies - Corporate Landlord	-	-	400
20-21	oneSource	External growth	184	48	81
20-21	oneSource	Staff efficiencies & restructures	123	42	140
20-21	oneSource	Further alignment of Newham and Havering	88	63	-
20-21	oneSource	Process efficiencies - Robotics	83	10	-
21-22	oneSource	Asset management	-	-	20
21-22	oneSource	ICT efficiencies	-	50	-
21-22	oneSource	Asset management restructure	-	75	-
21-22	oneSource	Legal & Democratic	-	100	-
21-22	oneSource	Legal & Democratic	-	125	-
21-22	oneSource	Exchequer & transactional services - increased enforcement income and services restructure	-	150	450
21-22	oneSource	ICT efficiencies and restructure	-	203	270
oneSource Total			2,983	1,552	2,361
20-21	People, Policy & Performance	Resident Engagement & Participation	434	-	700
20-21	People, Policy & Performance	People, Policy and Performance - budget and staffing review	310	82	-
20-21	People, Policy & Performance	Review of council-funded events	380	-	-
20-21	People, Policy & Performance	Review of the council's communications approach	326	15	-
20-21	People, Policy & Performance	Resident Services - efficiency savings contact centre	29	21	-
20-21	People, Policy & Performance	Complaints and Member Services efficiency savings	-	-	245
20-21	People, Policy & Performance	Ceasing printing for councillors and officers, Overview and Scrutiny staffing review	100	-	-
21-22	People, Policy & Performance	Members Support	-	30	-
21-22	People, Policy & Performance	Centralisation of communications spend	-	100	-
21-22	People, Policy & Performance	Resident Engagement and Participation	-	110	-
21-22	People, Policy & Performance	Resident Services efficiency measures	-	318	-
People, Policy & Performance Total			1,579	676	945
20-21	Resources	Hampton by Hilton, Royal Docks	400	-	-
20-21	Resources	Review structures and processes to reflect changes in demand post Universal Credit (UC) implementation	194	138	-
20-21	Resources	Premier Inn, Canning Town	160	100	-
20-21	Resources	Rebase of debt collection cost centre to reflect current establishment in order to recognise Greater London Authority funding as budgeted income	300	-	-
20-21	Resources	Review context for service delivery of Council Tax and Benefits functions	117	83	-
20-21	Resources	B&G/CSSB Saving	194	-	-
21-22	Resources	Staffing efficiencies	-	100	-
21-22	Resources	Service re-design for Council Tax & Benefit centre and the Customer Service centre	-	250	-
21-22	Resources	Additional strategic investment income (Accor and Gallions Reach)	-	650	-
Resources Total			1,365	1,321	-
Total Departmental Savings			29,756	18,097	7,623

Appendix 3 - Previously Agreed MTFS Savings for 2022/23

Department	Savings Title	Savings Description	GF savings 2022/23 (£000s)
Adults & Health	Direct payments - new offer	A new offer encouraging higher uptake of direct payments and in particular Personal Assistants (PA's) where the overhead costs associated with an employee are much lower than those of larger corporations.	419
Adults & Health	Capital investment and transformation programme	Revenue Savings to be released from Capital investments and acquisitions	1,000
Adults & Health	High cost placements	Review of high cost Learning Disability placements and development of value for money provisions, tailored to meet customers individualised needs including Supported Living. Maximising NHS Funding streams.	250
Adults & Health	Miscellaneous budget review	Identification of various budgets where reductions can be made.	120
Adults & Health Total			1,789
Brighter Futures	Reduction of buildings used uniquely to deliver children's health	By not renewing contract in one of the building being used by the service ahead of further work on wider accommodation need (linked Towards a Better Newham - Pillar 5)	50
Brighter Futures Total			50
Central	Change programme (Future Newham)	Transformation savings relating to the future direction of Newham.	-336
Central Total			-336
Children & Young People	Capital investment and transformation programme	Revenue Savings to be released from Capital investments	500
Children & Young People	Keeping families together	Invest to save initiative to further invest in Multi systemic and Functional Family therapies etc. to reduce the likelihood of affected children and adolescents entering care .	238
Children & Young People	CYPS improvement: care proceedings	To reduce the number of Care Proceeding and therefore the (external) legal costs and social worker time involved. And where proceedings are required, to see what part of specialist assessments can be bought in house or block purchased and how the quality of submitted evidence can be improved to reduce court time.	50
Children & Young People Total			788
Environment and Sustainable Transport	Enforcement of moving traffic offences	The introduction of CCTV-based enforcement of moving traffic violations to support our road safety objectives e.g. no entry's, yellow boxes, no left turn or right turns etc.	1,000
Environment and Sustainable Transport	Parking debt management	To ensure that appropriate processes are put in place to effectively manage our current debt and write offs, and to reconfigure the service to ensure debt levels are minimised and this is managed in an efficient and cost effective manner.	250
Environment and Sustainable Transport	Parking PCN processing efficiency	Our recovery rate of 65% is below the London average therefore the aim is to increase this by 5% by 2022/23. This will focus on bringing the relevant services into Parking, and as well as improving processes and efficiency, the aim will be to use the end to end management of the process to reduce bad ticket and their associated costs and to use the information to address the factors around this.	250
Environment and Sustainable Transport	Review the impact of the low traffic neighbourhoods on pedestrian road safety measures in place	Review and, where evidenced, reduce non-statutory road safety service provision for pedestrians. This will follow impact assessment of the low traffic neighbourhood zones and healthy school streets - which are intended to improve road safety for pedestrians as well.	176
Environment and Sustainable Transport	Cleansing services insourcing with potential efficiencies/savings	Loss of 3 Managing Director posts and creation of a new single service manager. Further superfluous / duplicated 'back office' and 'management' post losses would be expected to deliver more savings.	350
Environment and Sustainable Transport Total			2,026
oneSource	Operation of the corporate centre model - procurement savings	Procurement savings to be made against totality of corporate commissioning and contract budgets.	1,000

Appendix 3 - Previously Agreed MTFS Savings for 2022/23

Department	Savings Title	Savings Description	GF savings 2022/23 (£000s)
oneSource	Process efficiencies - Corporate Landlord	Corporate Landlord savings resulting from consolidation of budgets.	400
oneSource	External growth	Growing the customer base for ethical debt collection for public services.	81
oneSource	Staff efficiencies & restructures	Savings relating to further integration of Oracle teams, pension admin teams, restructure finance dept., restructure procurement.	140
oneSource	Asset management	Increase in trading Income.	20
oneSource	Exchequer & transactional services - increased enforcement income and services restructure	Increased net contribution to the general fund from providing enforcement to third parties and by introducing robotic process automation.	450
oneSource	ICT efficiencies and restructure	Team restructure.	270
oneSource Total			2,361
People, Policy & Performance	Resident Engagement & Participation	Savings would consist of implementation of large-scale review of council-wide resident engagement and participation activities to better deliver council priorities. The review would likely result in the prioritisation of a range of new functions and staffing restructures across different directorates and service areas.	700
People, Policy & Performance	Complaints and Member Services efficiency savings	Members Enquiries, FOI and DPA Staff are transferring to Resident Services and Business Support in order to join a consolidated service responsible for these functions and Complaints – there may be a potential saving from the consolidation. There is also an opportunity to consider ceasing administration of the members enquiry process and replacing this with a set of principles around transparency and responsiveness.	245
People, Policy & Performance Total			945
			7,623

Appendix 4 - Draft Newham Departmental Budgets 2022-23

	Base Budget 2021-22	MTFS Planned Growth	MTFS Planned Savings	MTFS Planned Funding Changes	Revised Base Budget 2022-23	Draft Budget Report Proposals	Proposed Efficiency Gains	Draft Budget 2022/23
Children and Young People	91.1	0.2	(0.8)	0.0	90.5	5.4	(0.3)	95.6
Inclusive Economy & Housing	17.6	(0.0)	0.0	0.0	17.6	1.4	(0.6)	18.4
Adults & Health	93.1	3.7	(1.8)	0.0	95.0	1.6	(1.0)	95.6
CYP Commissioner – Brighter Futures	10.8	(0.2)	(0.1)	0.0	10.5	0.1	(0.1)	10.5
People, Policy and Performance	24.6	(0.2)	(1.0)	0.0	23.5	0.1	(0.6)	23.0
Environment and Sustainable Transport	22.5	0.0	(2.0)	0.0	20.5	0.2	(0.5)	20.1
Resources	(3.7)	0.0	0.0	0.0	(3.7)	0.1	(0.2)	(3.8)
oneSource - Non Shared	(10.3)	0.0	(1.0)	0.0	(11.3)	0.2	(0.5)	(11.6)
oneSource	1.3	0.0	(1.4)	0.0	(0.1)	0.0	0.0	(0.1)
Corporate Budgets (General)*	45.4	7.0	0.3	0.0	52.7	(2.6)	0.0	50.1
Corporate Budgets (Core Funding)	(292.3)	0.0	0.0	(3.5)	(295.8)	(2.1)	0.0	(297.9)
	0.0	10.4	(7.6)	(3.5)	(0.7)	4.4	(3.7)	(0.0)

*Corporate Budgets hold estimates which are allocated during the course of the year once the requirement is known, e.g. Pay Inflation

Appendix 5 – Capital Strategy

1. Capital - Approved Programme

- 1.1 The Council's capital programme forms part of the medium term financial strategy, and is agreed annually as part of the Budget report. Since the 2021/22 budget approved by Council in March 2021 Cabinet has made some additional decisions within that overall framework and there has also been a re-profiling of budgets to reflect updated timelines.
- 1.2 This report is seeking approval to approve the revised capital programme and budget changes as presented below. The report then proceeds to discuss the longer term Capital Strategy that is being developed.
- 1.3 Following on from the Cabinet report in July 2021, a detailed analysis at a project level has been carried out in order to build a revised capital programme which is realistic and achievable. Alongside the input from project and programme managers the finance service has then challenged and scrutinised the resultant budget profiles to ensure that they are financially supported and within the statutory and regulatory framework which we operate under.

Table 1 – Capital Programme presented as part of the July 2021 Cabinet Report – including approvals in year.

Budgets	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	Future Years £m	Total Budget £m
Adults & Public Health	12.0	17.2	38.4	3.5	71.2
Brighter Futures	7.3	0.0	0.0	0.0	7.3
Children & Young People	0.5	1.4	0.0	0.0	1.9
Environment & Sustainable Transport	18.9	12.4	11.4	1.5	44.3
Inclusive Economy & Housing	23.6	31.3	26.0	75.8	156.7
OneSource	9.1	4.6	2.7	1.6	17.9
People, Policy & Performance	3.5	0.2	0.0	0.0	3.7
Resources	0.0	0.0	10.0	0.0	10.0
Schools (Capital)	19.4	45.3	1.7	0.0	66.4
Council Total excluding Populo	94.4	112.4	90.2	82.4	379.3
Populo	130.0	154.1	0.0	0.0	284.1
Housing Revenue Account	135.4	246.0	237.7	58.4	677.4
Total planned Capital Expenditure	359.7	512.4	327.9	140.8	1340.8
Corporate (Indicative Schemes)	4.0	9.5	10.6	40.0	64.3
Total planned Capital Expenditure	363.8	522.0	338.6	180.8	1405.1

Table 2 – Summary of changes to existing phasing of approved Capital Programme Budgets

Budgets	2021/22	2022/23	2023/24	Future	Total
	Budget	Budget	Budget	Years	Budget
	£m	£m	£m	£m	£m
Adults & Public Health	(3.7)	3.7	0.0	0.0	0.0
Brighter Futures	(6.8)	6.1	0.6	0.1	0.0
Children & Young People	(0.4)	(0.7)	0.0	1.2	0.0
Environment & Sustainable Transport	(4.7)	4.6	0.1	0.0	0.0
Inclusive Economy & Housing	(5.8)	(1.3)	2.7	4.4	0.0
OneSource	(2.8)	1.5	1.0	0.3	0.0
People, Policy & Performance	(3.5)	3.5	0.0	0.0	0.0
Resources	0.0	0.0	(10.0)	10.0	0.0
Schools (Capital)	(2.2)	(8.6)	10.6	0.3	0.0
Council Total excluding Populo	(29.8)	8.8	4.9	16.2	0.0
Populo	0.0	0.0	0.0	0.0	0.0
Housing Revenue Account	(18.0)	15.6	2.6	(0.2)	0.0
Total planned Capital Expenditure	(47.8)	24.3	7.5	16.0	0.0
Corporate (Indicative Schemes)	(4.0)	4.0	0.0	0.0	0.0
Total planned Capital Expenditure	(51.8)	28.3	7.5	16.0	0.0

Table 3 – Revised Capital Programme presented for approval as part of this report

1.4 The table below provides a high level summary of the proposed capital programme for the current year and next three years.

Budgets	2021/22	2022/23	2023/24	Future	Total
	Budget	Budget	Budget	Years	Budget
	£m	£m	£m	£m	£m
Adults & Public Health	8.4	20.9	38.4	3.5	71.2
Brighter Futures	0.5	6.1	0.6	0.1	7.3
Children & Young People	0.1	0.6	0.0	1.2	1.9
Environment & Sustainable Transport	14.3	17.0	11.5	1.5	44.3
Inclusive Economy & Housing	17.8	30.0	28.7	80.1	156.7
OneSource	6.3	6.0	3.7	1.9	17.9
People, Policy & Performance	0.0	3.7	0.0	0.0	3.7
Resources	0.0	0.0	0.0	10.0	10.0
Schools (Capital)	17.2	36.7	12.2	0.3	66.4
Council Total excluding Populo	64.6	121.1	95.1	98.5	379.4
Populo	130.0	154.1	0.0	0.0	284.1
Housing Revenue Account	117.4	261.5	240.3	58.2	677.4
Total planned Capital Expenditure	312.0	536.7	335.4	156.7	1340.9
Corporate (Indicative Schemes)	0.0	13.5	10.6	40.0	64.2
Total planned Capital Expenditure	312.0	550.3	346.1	196.7	1405.1

1.5 The financing of the above programme utilises a variety of resources in order to maximise the effectiveness of the funding mix and to minimise authority borrowing and any resultant avoidable costs.

Table 4 – Capital Programme Funding supporting the above expenditure in Table 3 above

	2021/22	2022/23	2023/24	Future Years	Total
	£m	£m	£m	£m	£m
Main Capital Programme					
Allocated GF Capital Receipts	0.1	0.1	0.1	0.0	0.2
Grants and Contributions	36.2	53.7	13.1	40.2	143.2
Capital Grants Unapplied	15.9	31.2	0.2	0.1	47.4
Revenue / Reserves - Secured (GF)	0.0	0.3	0.3	0.0	0.6
GF - Prudential Borrowing	39.3	94.8	93.5	98.2	325.8
HRA - Prudential Borrowing	18.4	124.9	184.5	48.4	376.3
HRA Self Financing - MRR	28.2	42.6	6.6	0.2	77.5
HRA 1-4-1 Receipts	13.4	8.7	0.0	0.0	22.1
HRA Other Receipts (Non Residential/Shared)	0.0	0.0	3.7	7.0	10.6
Revenue / Reserves - Secured (HRA)	30.6	40.0	44.1	2.6	117.3
Council Total excluding Populo	182.0	396.2	346.1	196.7	1121.0
Populo					
GF - Prudential Borrowing	130.0	154.1	0.0	0.0	284.1
Total planned Capital Expenditure	312.0	550.3	346.1	196.7	1405.1

1.6 The directorates' capital budgets set out above includes the following capital programmes;

- Health and Care Space Newham
- TFL programme maintain and enhancing the TFL network in borough
- Keeping Newham moving
- Affordable Homes for Newham
- Regeneration Projects
- Canning Town, Custom House and Carpenters developments
- The Schools capital programme
- The HRA capital programme

1.7 At the previous Finance First Review report taken to cabinet in July 2021 an unallocated fund of £16.1m was approved (for 2021/22).

1.8 This budget is included in the Corporate (indicative schemes) line in table 3 above. These funds are directed for use on capital projects to allow for flexibility to adapt to changing circumstances. The below table summarises the projects approved from this fund, and taken forward either as live capital projects or indicative projects where further governance is required.

Table 5 – Schemes funded from contingency capital

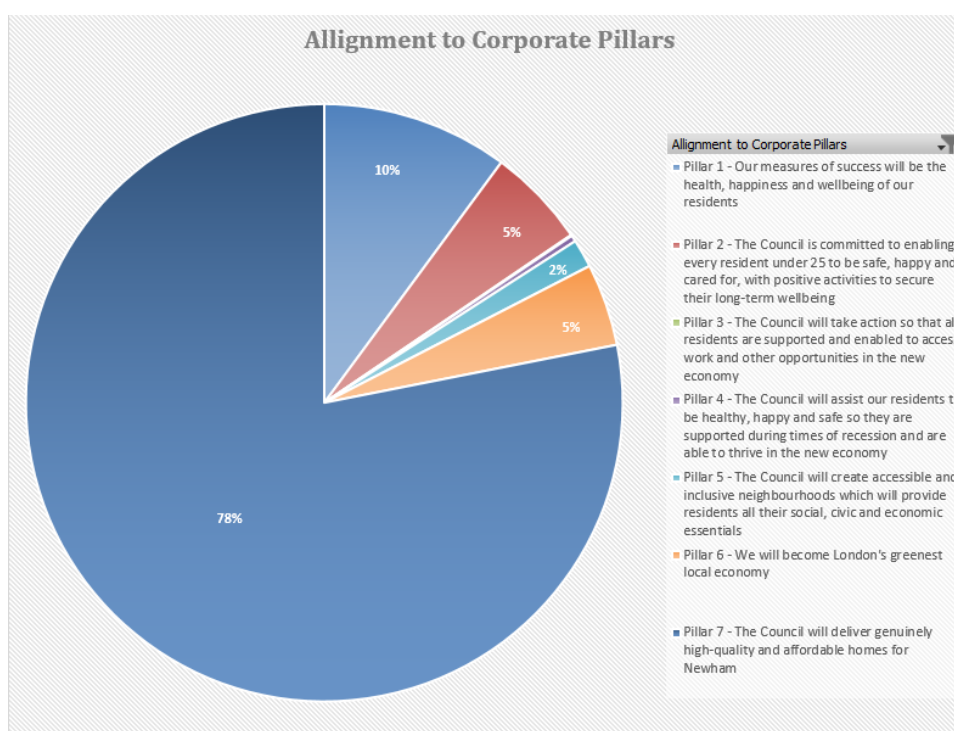
Schemes approved from 'unallocated funds'	Total budget (£m)	Cabinet Approved
Stratford Masterplan Focus Areas	0.2	N/A
Plaistow Library Investment (Additional)	0.3	7 July 2021
New Shipman Youth Zone Building	6.5	7 July 2021
Public Sector Decarbonisation Scheme	0.2	11 May 2021
Purchase of Lady Helen Seymour House	3.2	13 April 2021
Network Infrastructure Project	3.9	13 April 2021
Total	14.4	

- 1.9 Cabinet is advised that £3m previously approved and allocated to indicative schemes for Plaistow Library Investment has now moved into the live Programme alongside the addition £0.3m.

Developing the longer term Capital Strategy

2. Alignment of the current programme to Corporate Pillars

- 2.1 In reality schemes will support delivery of more than one pillar directly and indirectly, but the chart below takes a simplified approach of aligning a scheme to a single pillar and indicates that the majority of the programme (78%) is currently primarily aligned to housing delivery.



- 2.2 Affordable Homes for Newham is the most ambitious Council-led new-build housing programme in the last 40 years, establishing it as one of the key players in delivering the homes that Newham residents need. The Council has committed to deliver the 1,000 Council owned homes at social rent levels to be started by May 2022, as the

next phase in a long term plan set out in the Housing Delivery Plan in November 2018 and in the Affordable Homes Programme (2019 – 2022) Cabinet paper in July 2019. The current programme is supported by £107 Million of GLA grant as part of the Building Council Homes for Londoners Programme (BCHfL).

- 2.3 As the Council's housing developer, Populo Living (formerly Red Door Ventures) is a key partner in delivering more homes, and it has been repurposed so that 50% of its output will be affordable housing. The Populo Living programme will require investment of £1.4 billion over the next 15 years, which extends beyond the current Medium Term Financial Strategy.
- 2.4 In terms of financing, the capital programme is funded by grants, borrowing, and in some cases use of capital receipts. For example Schools capital and TFL highways maintenance are funded by external bodies, and the HRA is funded from rents received from tenants.
- 2.5 As part of the council's financing strategy a comprehensive review is undertaken to assess the funding mix with a view of prioritising the use of time limited funding, external grants and capital receipts prior to the application of borrowing to reduce the future impacts on revenue.

3. Climate Action Plan

- 3.1 The Climate Action Plan contains 25 actions which are part of the existing Capital Programme. The total budgeted spend on these projects over the lifecycle of the programme is £187m.
- 3.2 These include major projects on 'Passivhaus' new builds, replacing gas boilers in the Council's housing stock, electric charging points for vehicles, and energy efficiency measures to the Council's office buildings.
- 3.3 The nature of these projects mean that the budgets are predominantly contained within the capital programme for Inclusive Economy and Housing, and in Environment and Sustainable Transport.
- 3.4 Work is underway to test the impact of the existing action plan, re-evaluate the baseline carbon footprint position, and develop further actions required to meet the Council's targets.
- 3.5 Officers have started to baseline the carbon footprint of council operations using the Climate-view tool, and will then be able to measure the impact of the investments made in services as the Council moves towards its Carbon net zero goal for 2030.

4. Capital Strategy – 10 Year View

- 4.1 The Capital Strategy, agreed by Cabinet in February 2021, sets out the strategic approach for the Council's capital management and investment plans of capital resources in the medium term financial and service planning and budget setting process. The Strategy will be updated at the February Cabinet 2022 to take into account the latest Capital Programme and any changes in the operating or strategic environment.

- 4.2 Newham’s current approved Capital Programme shows investment of £1.4bn over the next 10 years, delivering a wide range of projects that will directly benefit Newham’s residents and businesses. Every project within the Capital Programme supports the vision and priorities of the Council, currently set out in the ‘Community Wealth Building’ and ‘Toward a better Newham’ Agendas.
- 4.3 Setting the Capital Programme needs to take a long term view and work with other key agencies to understand and respond to the current and future needs of the Borough, cognisant of the growth set out in the development plan. The Infrastructure Development Plan (IDP) sets out a long-list of infrastructure to support the growth of the borough with investment needing to be made by public, private and third sector organisations. Developers do make a partial contribution towards this via the Community Infrastructure Levy (CIL). The application of CIL towards projects will align to the priorities to be established in the Capital Strategy, we will publish an ‘infrastructure list’ annually setting out our future plans for CIL expenditure.
- 4.4 Taking a 10 year view, the scale of potential additional new schemes could be of the same order of magnitude, or even greater, than the current approved Capital Programme.

Revenue implications of the Capital Programme

- 4.5 There is a key interrelationship between revenue and capital budgets which places constraints on the financial envelope available to fund further capital investment without the need to find savings elsewhere in Council budgets.
- 4.6 The Council makes every effort to work with external partners to fund and deliver the Capital Programme and has been successful in bidding for and obtaining grant funding, contributions from developers, and external funding. Most recently the Council obtained £40m of Levelling Up funding to enable scaled delivery of key priorities. However, any scheme that requires the Council to borrow money will result in a cost to the revenue budget. The cost is determined by the life of the asset and the interest charged – the table below sets out the approximate annual financing cost for every £1m borrowed:

Table 6: Annual Revenue impact of £1m borrowing

Charge to Revenue	5 Year Asset e.g. ICT	50 Year Asset e.g. Buildings
Interest @ 3%*	£30k	£30k
MRP**	£200k	£20k
Total	£230k	£50k

*Although interest rates are currently at historically low levels, past borrowing rates have been in excess of 5% and 3% represents a prudent assumption in capital planning

**MRP – the Minimum Revenue Provision – this is a charge to the revenue account that effectively spreads the cost of the borrowing over the economic life of the asset

- 4.7 If this financing cost is not offset by additional new income or cost savings as a result of the investment, in order to maintain a balanced budget, other offsetting revenue savings will need to be found to enable further investment thereby highlighting the constraints on capital funding

- 4.8 The estimated ongoing annual General Fund revenue cost relating to financing the current Capital Programme is approximately £38.4m, being £17.4m interest and £21.0m MRP. This is an average cost over the next few years. There will be offsetting income and cost savings relating to schemes delivered in the Capital Programme but this highlights the potential ongoing financing costs that need to be met for some years to come. This is in addition to the financing cost of the historic capital programme.
- 4.9 The approved Capital Programme is funded primarily by prudential borrowing, Grants, and HRA self-funding as set out in Table 4 above.

Looking at the Council's ambitions for the next 10 years it is possible that the borrowing and associated revenue financing costs to fund every potential new scheme may be of the same order of magnitude as the current Programme. If these costs are not offset by compensating income or cost savings the viability of the scheme will need to be tested in light of the revenue implications both in isolation and in the context of the wider programme.

Prioritisation Framework

- 4.10 Given the finite level of borrowing the Council can afford, new capital schemes are competing against each other for limited funding. It is essential therefore, that in addition to a framework to evaluate individual schemes, a prioritisation framework is in place so that scheme proposals can be fairly assessed against each other, taking a range of financial and non-financial (e.g. carbon tonne reduction) factors into account, enabling the Council to arrive at sound, evidence based decisions on which schemes should go forward.
- 4.11 The Council also needs to maintain a longer term pipeline of schemes so decisions are not made on a 'first come first served' basis allowing large complex schemes which may, in some cases, take years to work through to business case sign off, but have the potential to deliver significant benefits, to be factored into the iterative decision making process in developing the programme.
- 4.12 Over the next 9 months the Council will review and develop a 10 year pipeline and a prioritisation framework which will shape the Capital Strategy, informing future development of the capital programme.
- 4.13 In the meantime, new projects that are considered to be essential for maintaining business continuity, addressing immanent health and safety risks, or ensuring the Council meets its statutory obligations need to be assessed and funded as appropriate. An update on these projects will be presented in the February Budget report.