

LONDON BOROUGH OF NEWHAM

CABINET

Report title	Local Investment for Fairness in Tough Times – Final Budget Proposals for 2024/25	
Date of Meeting	20 February 2024	
Lead Officer	Andrew Ward, Deputy Director of Finance	
Corporate Director	Conrad Hall Corporate Director of Resources	
Lead Member	Cllr Zulfiqar Ali, Cabinet Member for Finance and Resources	
Key Decision?	Yes	Reasons: The budget proposals will affect all Wards
Exempt Information & Grounds	No	
Wards Affected	All	
Appendices	<ol style="list-style-type: none">1) Summary of Savings Proposals2) Summary of Growth Proposals3) Capital Strategy 2024/254) Schedule of Sales, Fees and Charges 2024/255) Detailed Savings Pro-forma6) Detailed Growth Pro-forma7) Medium Term Financial Strategy8) Public Health Grant9) Housing Revenue Account (HRA) Business Plan Summary10) Chief Officers Pay Policy Statement11) Cumulative Equality Impact Assessment – Budget 2024/2512) Council Tax Resolution 2024/2513) Treasury Management Strategy Statement (TMSS) 2024/2514) Monitoring Officer's Advice15) Expected Reserve Usage 2024-25	

Introduction by Cllr Zulfiqar Ali, Cabinet Member for Finance and Resource

Putting residents first and foremost is central to our vision and plans to build a fairer Newham, especially in these toughest of times. That is why the 'Local Investment for

Newham in Tough Times' final Budget Report 2024/25 reflects our enduring commitment to protect frontline services, invest to secure Newham's long-term future and continuously improve the Council so that all our residents are well served.

Across the county, all councils are facing an unprecedented scale of financial pressures because of economic uncertainty, inflationary pressures, growing demand across council services and population growth. All the while, this Tory government is failing to provide much needed funding to meet rising costs, pressures and demand estimated to reach £4 billion over the coming two years.

The crisis faced by local government, is a result of the failures of the Tory government which has pursued short-termism over sustainable and fair funding for local government. The recent local government settlement for 2024/25 fails to enable us to meet the severe costs and demand pressures we are facing particularly in our statutory services, such as Social Care and responding to housing need in the face of growing homelessness because of the cost of living crisis hurting all households in Newham. We have amongst the largest number of households in temporary accommodation (TA) in the UK as more and more face homelessness and we are rightly stepping in. The latest reports are that nationally the cost of TA has increased to £2 billion as a result of the continued failure of the Tory government's economic and housing policies. This government has failed our nation and we have a mission as your Labour led administration to build a fairer Newham and help support our residents lead secure and stable lives. Crisis upon crisis is the historic record of this government since 2010 with austerity, disastrous economic policies that have led to the highest levels of inflation in 40 years with high interest rates and standards of living in decline. The Tory cost of living crisis is hurting everyone, and has been disastrous for local government.

In the face of this onslaught, we are proud of our continued efforts to build a fairer Newham for all, our investments and plans to serve our residents better and serving our people. The difficult financial situation is forcing the Council to review our approach to service delivery, look at possibilities of reducing our cost base through efficiencies, service re-design and organisational change and transformation, as well as challenging and changing historic procedures and practices, and examining new ways to deliver much needed services that our deprived and most diverse community deserve.

The government regards Newham as an outer London Borough for funding purposes. However, the challenges we face are even greater than many of the inner London Boroughs. The government continues to fail to recognise our position which has led to the increasing financial challenges for us.

I feel it is important that I put few things in context to show what impact this government's unfair funding approach has had and continue to have on the Council and our residents and the community.

- Our revenue budget is £363m in 2023/24. We have faced, along with the rest of London, according to the Institute for Fiscal Studies a mismatch between need and funding of 17% during the last 14 years which equates to around £60m.
- If this was available, we would not be going through this level of financial issues and would have been in a far better position to plan ahead and to invest more into services that our people deserve.
- Over two thirds of the Council's income comes from the central government; and the latest grants for the coming year have only increased by £3.7m which is just 2.3% of our total revenue budget.
- By no means does this reflect a fair allocation to Newham, where the needs of our residents and communities is acute.
- We are facing increased demand pressures and increased costs due to high inflation and cost of living crisis;
- Our TA costs are amongst the highest in country because of the growing number of our people turning to us for help. Despite this pressure, we have brought in substantial mitigations to reduce costs. We have already invested £10m during the current year and plan to invest another £17.5m in 2024/25 – against our share of Homelessness Protection Grant from central government which has only gone up by £100k. We are facing the worst crisis in the country, yet the increase in our allocation is not even a fraction of other shire authorities where such pressures are no way near the level of Newham.

Despite the short-termism and sticky plaster approach of this Tory government, our prudent approach to our long term policy and financial position at the Council is being taken into account as we present this final 2024/25 Budget for these toughest of times. Our substantial investment in housing and other areas is a clear indication of our long term goals to manage our plans, projects and investments as well as our finances better and the report reflects on our Medium Term Financial Strategy.

Had we not had the TA crisis, our budget this year and next would have been balanced without major difficulties. Due to rising TA costs we have an in-year overspend forecast of £15.9m. This needs to be dealt with to avoid additional pressure on the next year's budget. As such, we propose to cover this from earmarked reserves. There is £82m in the capital financing reserve which is there to cover any risks for major regeneration schemes. This is considered as an appropriate approach that any Council can take at such times.

We must set a balanced budget for 2024/25 and in doing so we have robustly challenged ourselves and the savings and other proposals in this paper are designed to enable this along with the proposal to dispose of selected assets during the financial year 2024/25. Our savings of £22m are through service re-design, transformation, spending money more wisely, efficiencies and transformation. The administration and

the Corporate Management Team has gone through all service areas to ensure we minimise impact on our residents and communities and make this Council more forward looking by “getting more for less”.

At the same time, the budget proposes growth of £76.5m. As stated earlier, a substantial part of this covers essential, unavoidable growth which includes demographic change, housing crisis, inflation, statutory changes and some investment in services for improving our services for future.

£16m in the Budget 2024/25 plans will be achieved through the Council using the freedom and flexibilities which the government intends to give to local authorities for the use of the capital receipts for funding revenue pressures. We have undertaken due diligence and selected a list of unrequired Council assets which we can dispose during 2024/25 to balance the budget gap which our officers are confident of. These locations are of non-strategic nature and it makes good economic sense to dispose these to raise capital receipts. I must stress this is just a one-year approach and we cannot rely on this for long term. If, in a highly unlikely situation, the government does not approve use of capital receipts then we will have to look at all discretionary growth elements of the budget as well as other areas at the earliest opportunity in the new financial year to find mitigating savings.

We are well aware of our borrowing levels and we take every opportunity to manage these particularly as the financial environment is uncertain. As such we are continuing to deliver our capital programme and exercise caution and only borrow based on need. We have also taken an opportunity to review our capital programme to ensure it continues to reflect our priorities and is realistic in achieving expected outcomes as well as to reduce our borrowing costs. In doing so we have reassessed Projects which resulted in a reduction of £45m and re-profiling of £231m into future years.

In terms of the proposed budget for 2024/2025, I am confident that our growth, savings and transformational plans are such that these will enable us to deliver a balanced budget. In terms of future, the challenges ahead over the next two years are even greater as stated in the MTFS section of the report. We need to continue with our current momentum and review our projects, programmes and priorities to ensure we can sustain the balance between the service provision needed by our residents and our financial means. Such a serious and fundamental review can only be avoided if the current government recognise the challenges faced by the local government and fund us appropriately. Alternatively, we will have a general election during the next financial year, and a change in government is widely expected. We need a government, a Labour government, that recognises the needs and pressures faced by local authorities and helps them to reduce their statutory burden through a proper funding mechanism.

I commend this budget to the Mayor and my Cabinet colleagues as we demonstrate our continued commitment to local investment for fairness in these tough times.

1. Executive Summary

- 1.1. This report does not seek to repeat or duplicate the full context and explanation of the financial position local government is currently in, which was provided in the draft budget report in January 2024¹. Instead it provides an update on relevant developments, and details the changes made to the draft budget proposals. The report presents cabinet with a balanced budget that it can recommend to Full Council for approval for the 2024/25 financial year. This is in the context of the exceptionally challenging circumstances that the council faces, as set out more fully in s17 of this report, which contains the s151 officer's formal report pursuant to s25 of the Local Government Act 2003.
- 1.2. Despite the late announcements on additional Social Care funding made in late January, the local government funding system still does not meet the required growth in budget caused by increased costs and demands on services. Instead the demands on each of children's and adults social care, and on the provision of Temporary Accommodation continue to grow, as evidenced by the Quarter Three Budget Monitoring received elsewhere on this cabinet agenda. The result is that there is a forecast £15.9m overspend for the 2023/24 financial year.
- 1.3. The consequence is that the council must proceed with the substantial budgetary growth allocations of £76m detailed in the draft budget report. In order to balance the essential and unavoidable growth in the budget, the council must also proceed with £22m of savings and proceed with £16m of non-strategic asset sales.
- 1.4. Since the publication of draft budget report, there has been substantial engagement with the Scrutiny committee's Budget Working Commission. The constructive challenge provided by the committee has helped the council amend, clarify, and in some cases redraft some of the detailed savings proposals. The final detailed proposals are appended to this report and discussed in more detail in Section Three.
- 1.5. The continued assessment of the Housing Crisis, as reported in the quarter three budget monitoring, has prompted officers to recommend an additional £2.5m of growth for Temporary Accommodation. There remains a risk of future overspend on this service should prices and demand rise exponentially. It is now clear that the addressing the Housing Crisis requires national government action, as the Council approaches the limits of what it can reasonably do within current resources, to provide for homeless households.

¹ See: [Local Investment for Fairness in Tough Times - Draft Budget Proposals for 2024/25](https://www.newham.gov.uk/local-investment-for-fairness-in-tough-times-draft-budget-proposals-for-2024-25) ([newham.gov.uk](https://www.newham.gov.uk))

1.6. In addition, this report is accompanied by 16 appendices, which are provided as part of budget setting and to provide information and transparency. These are listed and explained in the table below.

1.7. Table 1 – Explanation of Final Budget Report Appendices

No.	Appendix	Description
1	Summary of Savings Proposals	A table providing a brief description of each separate budget saving proposal
2	Summary of Growth Proposals	A table providing a brief description of each separate budget growth proposal
3	Capital Strategy 2024/25	The capital strategy describes the measures being taken since a review of the capital programme in order to control capital spending, and the process to be followed for limited essential additions to the capital programme in 2024/25.
4	Schedule of Sales, Fees and Charges 2024/25	All final proposals for the Sales Fees and Charges the council will use from 1 st April 2024.
5	Detailed Savings Pro-forma	The detailed savings proposal across all services and directorates
6	Detailed Growth Pro-forma	The detailed savings proposal across all services and directorates
7	Medium Term Financial Strategy	A summary of the financial outlook for the authority. This is a mid-case scenario which sets out the assumptions used to forecast the future budget gaps for the next two financial years. There are significant budget gaps to address.
8	Public Health Grant	Information on how the Public Health grant budget is used.
9	Housing Revenue Account (HRA) Business Plan Summary	A short form supplementary report summarising how the Housing Revenue Account budget is set out over the medium term.
10	Chief Officers' Pay Policy Statement	A required statement setting out the Council's approach to its remuneration of its Chief Officers.
11	Cumulative Equality Impact Assessment – Budget 2024/25	Following the production of Equalities Impact Assessments on all necessary budget proposals, this appendix

		provides an overview and makes an assessment of the cumulative impact of the proposals. The full EQIAs are also published.
12	Council Tax Resolution 2024/25	A legally required document which will enable Full Council to set the Council Tax for the 2024/25 financial year.
13	Treasury Management Strategy Statement	A legally required document which sets out performance indicators derived from the planned capital programme to monitor the treasury position.
14	Monitoring Officer's Advice	Details members' responsibilities for setting a legally balanced budget.
15	Expected Reserve Usage 2024-25	Detail of the Council's earmarked reserves and expected usage over the medium term.

1.8. A full assessment of the financial implications of this budget is included in Section 17 of this report. This includes the Chief Financial Officer's report, pursuant to section 25 of the Local Government Act 2003, on the robustness of the estimates made in this budget, and the adequacy of the reserves.

2. Recommendations

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

- 2.1. Endorse the budget proposals for the year 2024/25, as summarised in this report and detailed in Appendices One, Two, Three and Four, to be recommended to Full Council for approval.
- 2.2. Agree to recommend to Full Council the General Fund net budget requirement for 2024/25 to be set at £395m as set out in Appendix Seven, the Medium Term Financial Strategy.
- 2.3. Agree to recommend to Full Council an overall 4.99% increase in the Council's element of council tax for 2024/25 with 2% as a precept for Adult Social Care and a 2.99% general increase.
- 2.4. Endorse the proposals relating to empty and second homes, reducing the minimum period that a property is empty before a premium is charged to one year from 1st April 2024, and to apply a premium for second homes from 1st April 2025.
- 2.5. Note the allocation of the Public Health Grant for 2024/25 as detailed in Appendix Eight.

- 2.6. Agree the HRA Business Plan as set out in Appendix Nine.
- 2.7. Agree an average 7.7% rent increase on all Council-owned rented accommodation (including homes managed under a PFI contract), and 6.7% service charge increases as set out in Section Ten of this report.
- 2.8. Agree to recommend to Full Council the capital programme along with the minimum revenue provision policy as set out in Appendix Three.
- 2.9. Agree the CIL Infrastructure List 2024/25 as set out in Appendix 3 (Annex b) – which will guide the application of CIL funding in support of the Capital Strategy funding mix to be agreed by Full Council. Note the infrastructure list is unchanged from that agreed in 2023/24.
- 2.10. Agree to recommend to Full Council the proposed fees and charges as appropriate as set out in Appendix Ten for implementation from 1st April 2024.
- 2.11. Note that a report to enable an extension of the existing contract arrangements for Supported Living and Supporting Vulnerable Single Homeless will be brought to Cabinet as detailed in section 4.
- 2.12. Agree the Treasury Management strategy and Annual Investment Strategy including the revised treasury and prudential indicators set out in annex 1 within Appendix 13 of this report.
- 2.13. Note the provisional level of the Dedicated Schools Grant (DSG), including the Schools mainstream additional grant for 2024/25 has been set at £517m, an increase of £15m (before academy recoupment) compared to the comparable funding for 2023/24, and approve the local funding formula recommended by the Schools Forum, as set out in Section Eleven.

Furthermore, the Mayor and Cabinet are asked to note the following recommendations which will be presented to Full Council on the 29 February 2024:

- 2.14. Agree the General Fund net budget requirement for 2024/2025 to be set at £395m as set out in Section Three.
- 2.15. Agree an overall 4.99% increase in the Council's element of council tax for 2024/25 with 2% as a precept for Adult Social Care and a 2.99% general increase.
- 2.16. Agree the reduction of the minimum period that a property is empty before an empty home premium is charged to one year from 1st April 2024, and to apply a premium for second homes from 1st April 2025.
- 2.17. Subject to confirmation of the GLA's precept, agree to set the overall amount of council tax for 2024/25 as set out in Appendix 12.

- 2.18. Agree the budget Saving and Growth proposals to be made to the budget for 2024/25 as set out in Appendices One, Two, Five and Six.
- 2.19. Agree to recommend to Full Council the capital programme along with the minimum revenue provision policy, as set out in the Capital Strategy Appendix Three.
- 2.20. Agree or note, as appropriate, the proposed fees and charges as set out in Appendix Ten for implementation from 1st April 2024.
- 2.21. Agree the Treasury Management Strategy and Annual Investment Strategy including the revised treasury and prudential indicators set out in annex 1 within Appendix 13 of this report.
- 2.22. Note the provisional level of the Dedicated Schools Grant (DSG), including the Schools mainstream additional grant for 2024/25 has been set at £517m, an increase of £15m compared to the comparable funding for 2023/24, and approve the local funding formula recommended by the Schools Forum.
- 2.23. Agree the Chief Officers' Pay Policy Statement for 2024/25 as set out in Appendix Ten.
- 2.24. Note the HRA Business Plan as set out in Appendix Nine.
- 2.25. Note an average 7.7% rent increase on all Council-owned rented accommodation (including homes managed under a PFI contract), and 6.7% service charge increases as set out in the draft budget report.
- 2.26. Note the Monitoring Officer's Advice as set out in Appendix 14.

3. Final Budget Proposals

- 3.1. Newham's draft budget for 2024/25 and beyond, is being proposed in exceptionally challenging circumstances as outlined in the executive summary of the January draft budget report. The final budget proposals detailed in this report and the appendices, follow the draft budget report presented and approved by cabinet on 30 January 2024. The main changes follow in the paragraphs below.
- 3.2. The final Local Government Funding Settlement (LGFS) was published on Monday 5 February 2024. It confirmed announcements in late January on increases to the Social Care Grant of £500m nationally. Newham's share of this is an additional £3.1m. Coming so late on in the process, it is determined that this £3.1m will be held centrally as a social care contingency budget to meet any in-year financial pressures that materialise, which are unable to be met from the budgeted growth for 2024/25.
- 3.3. The budgetary growth for Temporary Accommodation will be increased by £2.5m, taking the total year on year growth for this service up to £17.5m. This

has been done in response to the emerging picture, as reported in the Quarter Three budget monitoring report elsewhere on this agenda, of increased demand and increased unit costs. The average increase in the number of households requiring accommodation this year is 30 per month, but this has trended up to 40 in the last three months. In addition, unit costs for self-contained accommodation have risen by over 30% since August 2023.

- 3.4. In order to contain the expenditure on Temporary Accommodation to within this revised budget, further action is being taken on housing allocation policy. The main change will be to place households beyond the 90-minute travel distance from Newham. This will be formally subject to a subsequent Cabinet decision, but reflects the Administration's emerging policy on the matter. Extending the travel distance will enable accommodation to be procured at a cheaper rate than is currently the case and so help to manage the extraordinary financial pressures.
- 3.5. The engagement process highlighted the need for some redrafting and clarifications to be made to the published detailed savings and growth 'pro-forma', which formed appendices five and six in the main budget report. These appendices were corrected and re-published as supplementary documents to the Draft Budget Report. They are also re-published as appendices five and six to this report.
- 3.6. The substantive changes made to these savings and growth proposals are;
 - a) The inclusion of an omitted Youth Empowerment Service savings proposal, which will save £150k from commissioning budgets in 2024/25, and a further £450k in the following two years. The full proposal is included in appendix five to this report.
 - b) A change to plans for the £500k staffing reduction saving proposal on the communications and policy teams. This has been reduced by £200k in 2024/25 and amended so that communications will save £140k (added to the existing £100k saving proposal for this team), and the policy team will save £160k. A review will assess potential for further savings for future years.
 - c) The withdrawal of the £48k change and insight savings proposal. This will no longer proceed in view of the need for this resource to help meet the transformation challenges that are clearly needed in light of the MTFS projections.
 - d) Deletion of the £117k Environment and Sustainable Transport Assistant Director growth proposal which was included in error and has effectively been double counted.
 - e) A reduction to the Street Lighting Adaptation savings target from £614k to £500k, following a reassessment on the achievability of this saving.
 - f) The withdrawal of the £86k Parks saving proposal.
 - g) There is a corresponding reduction to the Parks growth saving proposal. This will now total £39k, which provides resources to maintain current standards across Newham's parks.

3.7. Stakeholder engagement on the proposals has continued, and the executive have continued to review all proposals, reviewing both growth and savings proposals to ensure they are achievable and the estimates reasonable. This has resulted in the following changes to the draft report;

- h) The saving proposal totalling £500k from a review of Children's Centres operations has been withdrawn, whilst longer term plans are implemented alongside the establishment of Family Hubs over the next 12 months.
- i) An additional saving of £100k will be made from a restructure of posts in the Mayor's office.
- j) An additional saving of £150k will be made from a combination of changes to the Voluntary Community Faith Sector infrastructure support, and from additional income generation from the events team.
- k) An additional saving of £100k from staffing reductions to back office human resources teams.
- l) A one off saving, for one year only, and in light of the financial pressures to halve the apprentice and national management trainee budget saving a further £400k.
- m) A reduction of £250k to the growth proposal for Digital and ICT.
- n) A reduction of £125k to the growth proposal for Newham Sparks.

3.8. The net cost impact of all these changes in the two lists above is a net additional saving of £625k. This will be added to the contingency budget. Please note that the full savings pro-forma for actions i, j, and k, listed above are in the process of being completed and not included in Appendix Five.

3.9. Furthermore, there is an additional saving of c.£100k which will be made and adjusted for in-year in 2024/25, as a result of not filling two vacant Cabinet Lead posts.

3.10. The additional £2.5m growth for Temporary Accommodation will be funded from a recently announced £0.9m one off national rebate from a National Non Domestic Rates (NNDR) surplus, and a drawdown from the collection fund reserve. The collection fund reserve will then total £21m which is at the level recommended by our independent advisors LG futures. This reserve is held to guard against sudden in year fluctuations in collection of council tax and NNDR, and against the risk of revaluations and other NNDR system changes.

3.11. For clarity, no changes have been made to the draft proposals for the HRA budget for 2024/25, and Cabinet are asked to approve the recommended increases in rents as per recommendation 2.8 and detailed in Section Ten of this report. The HRA business plan summary in appendix nine provides information on the medium-term plans.

3.12. The Dedicated Schools Grant budget has now been confirmed to Schools Forum in line with the draft report, and final details are provided in Section Eleven of this report.

3.13. The Public Health Grant was announced as part of the Local Government Financial Settlement on 5 February 2024. The allocation to the

council was only marginally more than expected. Appendix Eight sets out the use of the grant, and 2024/25 activity will be met from within the allocated resource.

3.14. The capital programme will proceed as indicated in the draft budget proposals with reductions and re-profiling to projects as a result of the capital review. The capital strategy details the approach taken to ensuring capital spend is monitored and controlled so that borrowing costs do not exceed the in-year budget. The strategy also sets out the process for approving new urgent or essential capital spend up to a limit of £60m, and further reports to Cabinet will follow.

3.15. No changes are being made to the draft budget proposals on Sales Fees and Charges.

3.16. For clarity, the council tax premium charged for empty properties is not changing, but the period for which a property can lie empty before the premium is charged is being reduced from two years to one. For second homes, the legislation has now changed so that a premium can also be charged as it is for empty properties. This report requests that this be permitted change be adopted this year, so that premiums can start to be charged on second homes from 1st April 2025. Further details are included in Section Six.

4. Savings

4.1. The table below provides a summary of the final savings proposals under the same headings as set out in the draft budget report.

4.2. Table Two – Summary of Savings Proposals

	SAVINGS						GROWTH	
Directorate	Restructuring / Service Redesign	Commissioning / Spending our money wisely	Additional income/ utilising external funding	Service Reductions	Transformation Plans	Total	Investments in Services & All Other Growth	Net change dept. budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Health		3,236	700	-	5,831	9,767	12,304	2,537
Children and Young People	914	749	150	440	150	2,403	5,665	3,262
Digital						-	1,700	1,700
Environment & Sustainable Transport	1,285	500	1,434			3,219	370	(2,849)
Inclusive Economy	450		1,050	250		1,750	1,032	(718)
Housing						-	18,500	18,500
Marketing	240	100	140	751		1,231	250	(981)
Resources	1295		160	400		1,855	6,347	4,462
Transformation	300					300	165	(135)

Transformation (Corporate)	160				1,500	1,660	-	(1,660)
Corporate Budgets*							30,214	30,214
Total	4,644	4,585	3,634	1,841	7,481	22,185	76,547	54,362

*Includes all inflation assumptions including payroll

4.3. Restructuring and Service Redesign savings have reduced from £4.8m to £4.6m due to the changes reported in Section Three of this report. There are marginal changes under the other headings, but the main bulk of the savings are to be delivered through transformation plans, restructuring, and from commissioning savings. In the final proposals there are £1.8m of service reductions, down from £1.9m in the draft budget report.

4.4. The Adults and Health department will make £9.8m of savings and efficiencies in total. An important aspect of this is the commissioning of Supported Living, which provides supported accommodation offer for care act eligible residents, with a focus on Learning Disabilities and Mental Health.

4.5. The Council spends c£20m on these Supported Living services per year. In June 2022, Cabinet agreed to establish a Supported Accommodation Dynamic Purchase Vehicle, which covers a range of accommodation based services including Supported Living through different categories. This work is progressing at pace with the first stage of the Supported Living category now established, allowing the Council to call off care and support at scale, i.e. ten high needs units rather than through individual placements. The individual placement route requires a second stage to be completed prior to implementation. Cabinet will be requested to agree to extend the existing arrangements for Supported Living and Single Vulnerable Homeless placements for 12 months to allow for individual placements to continue to be made through spot placement arrangements whilst this work is undertaken.

4.6. Estimates for the contract extension have been calculated by analysing the average value of new placements made in a calendar month and applying it to the extension period, in accordance with the PCR 2015 regulations set out in the legal implications. Expenditure incurred as a result of the contract extension will be met from existing A&H social care placement budgets.

5. Growth

5.1. The table below provides a summary of the final growth proposals under the same headings as set out in the draft budget report.

5.2. Table Three – Summary of Growth Proposals

GROWTH							
Directorate	Inflation	Housing Crisis	Demographic Change	Financing the Capital Programme	Investing in Services	Other Growth	Total

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Health	8,865	-	2,739	-	700		12,304
Children and Young People	-	-	4,600	-	1,065		5,665
Digital	-				1,700		1,700
Environment & Sustainable Transport	-	-	331	-	39		370
Inclusive Economy	-		-	-	282	750	1,032
Housing		18,400			100		18,500
Marketing	-		-	-	250		250
Resources	400	594	-	-	816	4,537	6,347
Transformation		165					165
Chief Executive							-
Corporate Budgets*	19,644		2,570	8,000			30,214
Total	28,909	19,159	10,240	8,000	4,952	5,287	76,547
<i>*Includes all inflation assumptions including payroll</i>							

5.3. The changes to the draft budget report reflect the work done across the Council to close the budget gap by closely scrutinising all growth allocations. The changes are listed above in Section Three.

5.4. The proposals make available £300k to fund a potential uplift to members' basic allowances. This has been done in recognition of a London wide independent review on the 'Remuneration of Councillors in London by the Independent Panel on Members' Remuneration (IPMR), the findings of which suggest increases are made to the base allowances paid to councillors in London. For clarity, making provision for this in the budget does not indicate any decision has yet been made on adopting these findings in Newham, nor does this report imply that Cabinet endorses them. Including provision for this in the budget merely enables Council to consider the matter and, if so minded, vote for the increased allowances knowing that they are included in the budget. If Council does not vote for the increased allowances, then there will be an underspend in 2024/25.

6. Income and Council Tax

6.1. The Local Government Funding Settlement has now been announced with an additional £3.1m awarded to the Social Care Grant. The final allocations are given in the table below.

6.2. Table Four – Final Revenue Grant Allocations

Government Grant Funding	2024/25	Change from last year	
	£m	£m	%
Revenue Support Grant	45.4	2.8	6.2%

New Homes Bonus	2.8	-2.8	-100.0%
New Services Grant	0.8	-3.5	-437.5%
Market Sustainability and Improvement Fund	6.4	3	46.9%
Improved Better Care Fund	17.2	0	0.0%
Adult Care Discharge Grant	4	1.6	40.0%
Social Care Support Grant	36.7	8.6	23.4%
Sub-total (core grants)	113.3	9.7	9.4%
Public Health Grant	34.2	0.6	1.6%
Homelessness Prevention Grant	11.7	0.1	0.9%
Household Support Fund	0	-6.7	-100.0%
Total	159.2	3.7	2.3%

6.3. Proposed Increases to Council Tax and Adult Social Care Precept

6.4. The Provisional Finance Settlement confirmed that to meet financial pressures upper tier local authorities could choose to again raise Council Tax by 5% in total as per last financial year. It is noted that this is less than what most government mandated benefits will be uplifted (6.7%) by from April 2024.

6.5. The setting of Council Tax is a political decision to be taken at Full Council in February. At the request of the administration, officers have prepared these draft budget proposals on the basis that Council Tax rates are increased by 2.99% and that there is an additional 2% increase for the Adult Social Care precept.

6.6. Table five below shows the current Band D Council Tax charge across East London. Newham has the second lowest Council Tax Charge in East London.

6.7. Table Five – East London Council Tax

Authority	Current Band D Council Tax £
Havering	£1,653.99
Waltham Forest	£1,621.41
Redbridge	£1,541.61
Barking & Dagenham	£1,430.85
Hackney	£1,339.15
Newham	£1,193.39
Tower Hamlets	£1,146.88

6.8. Tables six and seven below show the proposed increases to the Council Tax bands for the London Borough of Newham for 2024/25, and the impact for those benefiting from the 90% Council Tax Reduction Scheme. For a Band D property this is an increase of £1.15 per week, or £0.12 per week for those residents benefitting from the Council Tax reduction scheme. Note that the tables below present only the Newham element of Council Tax and the GLA element would in addition to the numbers presented.

6.9. Table Six – Proposed Council Tax 2024/25

	A	B	C	D	E	F	G	H
Council Tax 2023/24	£795.59	£928.19	£1,060.79	£1,193.39	£1,458.59	£1,723.78	£1,988.98	£2,386.78
Council Tax 2024/25	£835.30	£974.50	£1,113.72	£1,252.94	£1,531.38	£1,809.80	£2,088.24	£2,505.88
Annual increase at 4.99%	£39.71	£46.31	£52.93	£59.55	£72.79	£86.02	£99.26	£119.10
Monthly increase at 4.99%	£3.31	£3.86	£4.41	£4.96	£6.07	£7.17	£8.27	£9.92
Weekly increase at 4.99%	£0.76	£0.89	£1.02	£1.15	£1.40	£1.65	£1.91	£2.29

6.10. Table Seven – Proposed rates for 90% Council Tax Reduction Scheme

	A	B	C	D	E	F	G	H
Council Tax 2023/24	£795.59	£928.19	£1,060.79	£1,193.39	£1,458.59	£1,723.78	£1,988.98	£2,386.78
Council Tax 2024/25	£835.30	£974.50	£1,113.72	£1,252.94	£1,531.38	£1,809.80	£2,088.24	£2,505.88
Annual increase at 4.99%	£3.97	£4.63	£5.29	£5.96	£7.28	£8.60	£9.93	£11.91
Monthly increase at 4.99%	£0.33	£0.39	£0.44	£0.50	£0.61	£0.72	£0.83	£0.99
Weekly increase at 4.99%	£0.08	£0.09	£0.10	£0.12	£0.14	£0.17	£0.19	£0.23

6.11. Greater London Authority (GLA) consultation budget proposes an increase in the Mayor of London's Band D Council Tax precept of £37.26, or 8.6%.

6.12. This will result in a Band D figure of £471.40 for 2024/25 compared to a £434.14 in 2023/24. Confirmation will follow the London Assembly meeting on 22nd February 2024.

6.13. Council tax charges on empty and second homes; Empty and substantially unfurnished properties

6.14. The Local Government Finance Act 1992 was amended effective from 1st April 2013 to giving billing authorities the ability to levy a council tax 'premium' on top of the basic council tax liability for long-term empty and substantially unfurnished properties.

- 6.15. The Council has previously determined, in setting council tax for the appropriate years, to reflect the maximum amount of premium in its council tax charges. There are regulatory protections for properties that are empty as a result of armed forces on active service and for 'annex' type properties which are contained within single larger properties. The premiums also do not apply to empty and unfurnished properties that are otherwise exempt from council tax such as those subject to probate or the former resident is providing or receiving care elsewhere.
- 6.16. The LGFA 1992 has been amended by the Levelling Up and Regeneration Act 2023 to reduce the minimum period that a property is empty before a premium applies from 2 years to 1 year.
- 6.17. The Council can decide as part of its council tax determination for 2024/25 to reflect this change. Current estimates are that this would increase the number of properties subject to a premium by 330 and increase the number of band D equivalent properties used in setting council tax by 300. It is recommended that the council does so.
- 6.18. In order to increase charges, and to motivate occupation or sale, it is recommended that the council reflect this change to its council tax determination for 2024/25; reducing the minimum period before a premium applies to 1 year.
- 6.19. Second homes are not defined in LGFA 1993 but would fall within what are described as "dwellings occupied periodically". These are properties in which no one is resident and are substantially furnished, and also include furnished properties between lettings.
- 6.20. Where there are no statutory protections, such as for tied employment, the Council currently charges the appropriate council tax for the property from the first day of it being unoccupied which is the maximum permitted. Note that dwellings occupied periodically does not cover self-catering/holidays lets properties which are valued for Non-Domestic Rates if they are both:
- available to let for short periods for at least 140 nights per year; and
 - actually let for at least 70 nights per year.
- 6.21. The LGFA 1992 has been amended by the Levelling Up and Regeneration Act 2023 (LURA 2023) to introduce a 100% premium for such properties. The amendment requires that a billing authority's first determination under this Section must be made at least one year before the beginning of the financial year to which it relates. This means that the Council would need to determine that the premium would apply from 1st April 2025 as part of their council tax determination in February 2024.
- 6.22. In order to increase charges and motivate occupation or sale it is recommended that the Council proceeds to apply this in the council tax determination dated February 2024.

7. Temporary Accommodation

- 7.1. There has been significant budgetary growth of £17.5m for the provision of temporary accommodation for 2024/25, and this comes on top of £10m growth for the 2023/24 financial year. This would mean that the net budget has more than doubled in three years
- 7.2. Despite the budgetary increases however, the extreme demand and cost pressure being experienced means that the council is employing the following strategies. This is being done to provide homes, rather than unsuitable and expensive hotel or commercial self-contained units, and this will limit further cost increases and help to contain expenditure to the revised budget.
- Continuing the current acquisitions programme to obtain more homes for new homeless applicants. The capital programme includes a new budget of £100m for this purpose. While some acquisitions rely on TA savings to fund borrowing so will have limited impact on the overspend position, they do provide much needed self-contained accommodation as an alternative to inappropriate commercial hotels.
 - Continue in 2024/25, as in 2023/24 to allocate voids in the general stock of housing units to be used for temporary accommodation.
 - Continue with the delivery of the corporate 'Homelessness Response Programme'
 - Continue to use some Housing Revenue Account new builds delivered in 2024/25 for the purposes of temporary accommodation.
 - To review, and potentially update, the housing placements allocation policy for the purposes of allowing a greater geographical spread of homes to be used for temporary accommodation. This would create more opportunities for obtaining supply of, and acquiring, accommodation for homeless households.

8. Medium Term Financial Strategy

- 8.1. Appendix Seven provides a summary of departmental budgets for 2024/25, together with a summary of the medium-term financial outlook for the council over the next three years showing a forecast budget gap in the region of £76m. This includes a gap between income and expenditure in 2024/25 of £16m, which, as the draft report set out, it is proposed to be met through the use of capital receipts resulting from asset disposals.
- 8.2. The summary is based on a mid-case scenario, where reasonable assumptions are made to estimate; the required growth in expenditure to 2026/27; income sources; and pre-planned savings. These estimates include demographic growth, demand projections such as for the housing crisis, and capital financing costs. Key to the projections are estimated rates of inflation, and the mid case scenario broadly follows the Bank of England's forecasts with inflation remaining higher than the target in 2025/26 and coming down to the targeted 2% in 2026/27. Income projections are influenced by inflation, but also by what has been announced on government funding. Under current plans the

New Homes Bonus, a significant source of funding for Newham, will cease in 2025/26.

- 8.3. The outlook as currently modelled is discouraging, with a c.£40m gap indicated for 2025/26, followed by a further c.£20m gap in 2026/27, which come on top of the £16m gap for 2024/25, so totalling £76m. Sensitivity analysis has been carried out with plausible 'better' and 'worse' case scenarios putting this total gap at between £70m and £84m.
- 8.4. Given the council's reliance on government funding, single year funding settlements are an impediment to medium term financial planning. Nationally a sustainable solution for local government funding is needed. A general election will happen within the next 12 months, and so future government policy on local authority funding is not known. However, given the projections the council will need to continue with its medium-term strategy to significantly reduce its overall operating model costs. This is an essential large scale work programme that is of paramount importance and will have the Chief Executive as the Senior Responsible Officer. The planned phase one transformation savings outlined in the draft budget proposals for 2024/25 are an important step in this journey.

9. Capital Strategy and the Treasury Management Strategy Statement

- 9.1. The annual capital programme represents the money that the Council needs to spend each year to ensure that our existing non-current assets remain suitable for the provision of services and our investment in new assets enables us to meet our changing needs and requirements. The Capital Strategy included in Appendix Three, provides the capital programme for approval in 2024/25, and the forecast programme beyond that.
- 9.2. The Capital Strategy outlines how the capital programme is managed and sets out the medium to long term context within which capital expenditure and investment decisions are made in terms of development, management, and monitoring. It forms an important part of the financial strategy for the medium term and is agreed annually as part of the Budget report. The key points contained in the capital strategy are summarised below.
- That a capital review was carried out in 2023/24 to find ways of amending the capital programme to reduce capital financing costs. Projects were assessed to see if budgets were still required, or if they could be reduced or delayed and the result is that £45m has been taken out of the capital programme and £231m re-profiled into future years. It should be noted that the re-profiling in large part tracks the experienced capital 'slippage' of previous years, and so whilst 2024/25 capital spending limits will require some active management, they can also be considered to be reasonable estimates which adjust for optimism bias and delivery delays. The results of this review are visible in the annex to Appendix Three.

- In terms of changes to the capital programme for 2024/25 there is £100m for new acquisitions of housing units, as referenced elsewhere in this report, to address pressures on temporary accommodation. It also contains £60m to be allocated to new essential or urgent projects as brought forward by the capital strategy, and subject to future capital approval.
- Table two of the Capital Strategy shows that the grand total of capital programme budgets for 2024/25 is £811m. This is broken down as £313m for the HRA, and £498m in the General Fund, inclusive of £75m to be loaned out on self-financing housing schemes to be delivered by Populo.
- There will be £8.7m of Community Infrastructure List (CiL) funding applied (this is within the government grant and other contribution line). Work continues on applying this funding where eligible to capital projects.
- The asset management framework includes the plans to dispose of some non-strategic assets to fund revenue expenditure, as set out in this report and elsewhere on this agenda.

9.3. The Treasury Management Strategy Statement is presented in Appendix 13. It sets out and explains the Capital Financing Requirement (CFR) and provides prudential indicators on borrowing which can be used to ensure Treasury Management activity does not go beyond what is required to fund the capital programme.

9.4. The capital strategy and TMSS show planned capital expenditure of £811m in 2024/25. Table two of the TMSS shows that of this, £12m will be financed from capital receipts, £199m will be funded from grants and other contributions (such as S106 and CiL), and £22m from the Major Repairs Reserve of the HRA. This leaves a balance of £578m. Deducting the repayment of borrowing via the Minimum Revenue Provision of £31m (£22m charge to central MRP and £9m from PFI and finance lease budgets), brings the £578m down to £547m. This is known as the Capital Financing Requirement (CFR).

9.5. The CFR figure represents the total estimated financing need of the authority in 2024/25, it is broken down as £279m of required borrowing for the HRA, £196m for the general fund, and also £72m of finance leases in the general fund. For clarity, finance leases are correctly recognised here as a form of borrowing, but the council will not need PWLB loans to cover this £72m.

9.6. The budget growth for capital financing in 2024/25 will help finance both borrowing and the forecast Minimum Revenue Provision. For information, for 2024/25, the net treasury borrowing budget, net of investment income, is £24.5m, and the minimum revenue provision charge budget is £22m.

9.7. The prudential indicators are a mechanism for linking our capital investment plans to the budget and so for monitoring treasury activity. Reports on the

TMSS are taken to Audit Committee and Full Council during the year. Prudential indicators for the ratio of gross financing costs to HRA rents and to the net General Fund, are included in annex 1 of the TMSS, see tables five, six and seven. These show an increase in the medium term of borrowing costs compared to net revenue streams, and reflect the investment in the council's capital programme. This increased cost will be largely offset by the income and rental revenue streams created by new housing assets.

10. Housing Revenue Account

- 10.1. The Council is required to maintain a Housing Revenue Account (HRA), which is a record of expenditure and income in relation to an authority's own housing stock, including building new social housing. 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.
- 10.2. We maintain a Housing Revenue Account Business Plan to forecast income expenditure over a 30-year timeframe. The Business Plan allows us to look at capacity to fund programmes for investment in our homes, including building new Council homes. The Business Plan is a living document that is kept under regular review. The proposals for the medium term are set up in Appendix Nine.
- 10.3. 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 ensure that tenants' homes are warm and efficient to heat, are free from damp and mould, have modern facilities such as kitchens and bathrooms, and our buildings demonstrate the highest standards of building safety. Further, we are developing plans and carrying out the first projects to improve thermal and energy efficiency and to 'decarbonise' our 16,000 rented homes.
- 10.4. 2023/24 continued to be marked by exceptionally high rates of inflation, although not as high as the peak of 11.1% CPI in October 2022. Despite CPI reducing through the year, inflation remains at 4% as of December 2023. High inflation has a significant impact on the Housing Revenue Account, particularly on costs relating to repairs and maintenance including major works; contracts; and building new homes. It is estimated that inflation will increase our major repairs costs by £10m over five years. As well as inflation driving costs up, higher costs mean that borrowing must increase to fund programmes, and the increase in interest rates means that borrowing costs are higher. It is a priority that the Council continue this investment as well as our ongoing investment in building safety.
- 10.5. 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. Last

year, due to the current high rates of inflation, the government imposed a 7% 'ceiling' on rent increases, over-riding the existing CPI+1% policy. Without the rent ceiling, the rent increase applied by social housing providers could have been up to 11.1%. Social landlords need to increase rents each year, as the costs of managing and maintaining homes increase, benchmarking indicates the majority of authorities will increase rents by 7.7%.

- 10.6. The Council recognises the inflationary pressures on our operating costs, and in order to facilitate the investment in homes, will apply this to all Council-owned rented accommodation. The rent increase follows several years of low inflation rates, and four years of 1% rent reductions, between 2016/17 and 2019/20 in line with the Welfare Reform and Work Act 2016.

10.7. **Table 8 – Average rent increases since 2016**

Year	Prior Year Sept CPI %	Average Rent Change
2016/17	-1.0%	-1%
2017/18	1.0%	-1%
2018/19	3.0%	-1%
2019/20	2.4%	-1%
2020/21	1.7%	2.7%
2021/22	0.5%	1.5%
2022/23	3.1%	4.1%
2023/24	10.1%	7.0%
2024/25 (Proposed)	6.7%	7.7%

10.8. **Table 9 – Household rents**

No of bedrooms	2023/24 Average weekly rents	2024/25 estimated weekly Average rents	Weekly increase	Annual equivalent
0	£92.29	£99.40	£7.11	£362.61
1	£98.23	£105.79	£7.56	£385.56
2	£112.14	£120.77	£8.63	£440.13
3	£133.18	£143.43	£10.25	£522.75
4	£155.01	£166.95	£11.94	£608.94
5	£171.16	£184.34	£13.18	£672.18

10.9. The proposal for 2024/25 Service charges is to increase by 6.7% which aligns more to the associated increases in RPI of 6.1% whilst allowing for the fluctuations in rates seen previously.

10.10. **Table 10 – Service Charge Increases**

Council's Tenants Service Charges	2023/24 Average weekly Service Charges	2024/25 Average weekly Service Charges	2024/25 estimated average weekly Service Charges increase	Percentage increase from April 2024
Caretaking	£7.18	£7.66	£0.48	6.7%
Concierge	£28.56	£30.47	£1.91	6.7%
Horticulture	£1.12	£1.20	£0.80	6.7%
Heating	£15.21	£16.23	£1.02	6.7%
TV Aerial	£0.23	£0.25	£0.02	6.7%
Cleaning	£9.80	£10.46	£0.66	6.7%
Communal window cleaning	£0.20	£0.21	£0.01	6.7%
Supporting People Charges	£40.53	£43.25	£2.72	6.7%

10.11. **HRA Capital Programme**

10.12. The budget allocation for investment in existing homes over the next three years is £268m as detailed in Appendix Nine. In October 2023, the HRA (Residential Portfolio) Interim Asset Management Strategy was published. This set out our three key investment priorities:

10.13. **Quality and Safety:** Our Building Safety team has led a huge programme of work to ensure that all 'higher risk buildings' are registered with the new Building Safety Regulator and compliant with the Building Safety Act 2022 and Fire Safety Act 2021. Works which are currently in progress include the installation of appropriate fire doors across our social housing stock, external wall system remediation to a number of blocks and works to ensure there is adequate compartmentation within our residential buildings. Fire Safety will be an ongoing investment requirement and continually reviewed through fire risk assessment processes.

10.14. The Damp and Mould strategy was published in November 2023 following resident consultation over the summer. It sets out our approach to tackling damp and mould, not only in our own social housing stock, but work with residents and landlords in the private rented sector and temporary accommodation. The strategy builds on the work of the Damp and Mould taskforce, a team of officers established in 2021 that provides a dedicated response and management service to reports of damp and mould

- 10.15. **Decarbonisation:** Another key element of future stock investment plans is to improve the energy/thermal performance of our social housing, in order to reduce CO2 emissions, reduce fuel consumption, and tackle fuel poverty. Last year, sector-leading experts helped model our stock to identify the best value targeted interventions and develop a roadmap to zero carbon up to 2045 and provide financial planning for investment.
- 10.16. **Resident Satisfaction:** We have significant programmes for lift replacements, roofing works, and a Cyclical Preventative Programme of Works is continuing over a five-year programme to ensure all communal and external works are carried out to reduce disrepair and future pressure on budgets by maintaining our stock in good repair and providing decent living standards to our tenants and leaseholders.
- 10.17. **Increasing the supply of affordable homes**
- 10.18. The Affordable Homes for Newham programme started more than 1,000 new homes at social rent levels by the end of May 2022. During 2023/24 the in house team managing the Affordable Homes for Newham programme have completed 116 homes with a further 66 scheduled to complete before the end of March 2024. This brings the total completions to date across the programme (including Populo delivered schemes) to 349. The remainder of the GLA programme will be delivered by summer 2026.
- 10.19. Despite this significant housebuilding programme, the borough continues to experience acute housing needs. In October 2022, Cabinet approved the GLA's capital grant allocation of £92m for the 2021-26 programme. This will deliver a further 403 new social rent homes and 50 London Living Rent homes. This will be jointly delivered by the Council's housing team and Populo (the Populo element would be funded outside the HRA). Cabinet originally approved a budget of £173m for the HRA element of the proposed programme, however, during 2023/24, Cabinet approved a report to redirect £30m of the approved AHfN budget, to fund a buyback programme leaving £143m for Phase 2.
- 10.20. The buyback scheme used a range of subsidy sources, including RTB receipts, GLA RTB Ringfence receipts, and s106 monies collected by the London Legacy Development Corporation in their planning role in the Olympic Park area. The programme is well into delivery, targeting the purchase of c. 95 ex-RTB homes within Newham-owned blocks. Further acquisitions programmes are under consideration and may be brought to Cabinet at a later date. Buyback of ex-RTB homes is an excellent way to increase the number of homes available for social rent – acquisition of these homes is often significantly cheaper than a newbuild home, and as they are within council owned blocks, management maintenance and improvements can be rationalised.
- 10.21. In the Carpenters estate, the Council has secured the support of residents for the regeneration masterplan through a ballot in December 2021,

and last year received planning permission for the first stage, which is a comprehensive refurbishment of the James Riley Point tower block. The Council is taking steps to secure vacant possession of the building, and thereafter works will begin.

10.22. A successful ballot in Custom House Regeneration area in December 2022 paved the way for the regeneration plans to move forward - the first scheme has funding as part of the Affordable Homes for Newham programme and will provide 95 new homes, and has started on site.

10.23. The following table represents the changes required between the existing capital programme and the HRA business plan capital programme over the next 3 years. The key changes relate to the inclusion of the 2027/28 programme, additional investment requirements for Acquisitions, and Decarbonisation as laid out below.

10.24. **Table 11 – HRA Additional Investment**

2024/25 to 2027/28 Programme Changes	£m
Capital Programme Additions	115
Development Programme changes	(60)
Additional Supply/Acquisitions	25
Decarbonisation stock investment	2
Total	81

10.25. **HRA Savings and Growth**

10.26. The savings identified include costs associated with waking watch services that are expected to reduce taking into account the number of blocks requiring this level of mitigation given that remediation has taken place and continues to do so. The expected saving is £1.6m in 2024/25. This is alongside an ongoing growth requirement of £500k to ensure adequate budget is available for service delivery taking into consideration the new requirements as set out in the Building Safety Act 2022.

10.27. Properties that have been held empty for later phases of regeneration plans will be refurbished and used for temporary accommodation on an interim basis. This generates a financial benefit to the HRA (rental income and savings against costs of keeping properties empty) that outweighs the costs of bringing homes into use and makes good use of homes in Newham in the short term, ahead of wider regeneration of these areas. This work will generate more than £300k new rental income and savings on council tax for void properties.

10.28. A review of the Property Services budgets within the HRA is underway, in order to achieve efficiencies across the service including staffing and non-salary costs combined. The anticipated saving is £300k.

10.29. In addition, following in year cost reductions to the HRA operational expenditures the service is proposing a budget reduction of £200k for the

Business Systems and Management Information budget. This team has sought efficiencies within the existing systems and processes whilst rationalising the expenditure on systems, resulting in a more appropriate allocation of resources.

10.30. A key growth proposal is £1.3m for Leaseholder property insurance which has doubled due to industry wide price increases. This essential cover was re-procured via the council's insurance team with the new contract effective from 1 April 2023, after the previous cover term ended. The impact of this increase is rechargeable to leaseholders and will be reflected by an equivalent increase in Leaseholder income.

10.31. A review of lettings agency processes has been undertaken resulting in proposed growth of £282k for a leaner service delivery structure, which offers customers the ability to self-serve during an application process – driving up customer satisfaction by automatically texting and emailing acknowledgments, receipts and updates when necessary.

10.32. In the short term, it is forecast that an increase in rents together with service efficiencies and savings identified above, mean a balanced budget can be achieved for 2024/25. It is important to note that the reduction in the amount which can be taken to reserves has an impact on the future capacity of the HRA.

11. Dedicated Schools Grant

11.1. 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, which is a ring-fenced element of the General Fund. The National Funding Formula (NFF), which allocates DSG funds to local authorities, was introduced in 2018/19. The Schools Block DSG allocation is based on Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF). The PUF of £6,418 (£6,198 in 2023/24) and SUF of £8,061 (£7,730 in 2023/24) has been used to determine next year's budget. The overall block increase is a marginal 0.17% increase (£0.7m) as a result of falling numbers on roll; 266 fewer pupils than the previous year. London Borough of Newham is the third lowest gaining authority.

11.2. The grant also funds wider support to pupils with special educational needs, through an element in the DSG known as the High Needs block, and for nine months to four-year olds in nursery and associated provision, through the Early Years block. The provisional Early Years allocation is £42.8m which is an increase of £11m. However, the main reason for this marked increase is the extension in age range in comparison to previous years.

11.3. A study by the National Audit Office 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. This is also

true of Newham. There are significant pressures on high needs funded services, and as a result in 2022/23 the DSG reported a closing deficit of £17.4m. The planned reduction for 2023/24 is £3m which reduces to £2m in 2024/25 due to Newham being the second lowest gaining Authority. This was a decrease on the year before and there is a deficit recovery plan in place whereby it will be reduced but will not be eliminated before the statutory override comes to an end in March 2026. The statutory override separates local authorities' DSG deficits from their wider financial position.

11.4. Those local authorities with the most serious DSG deficits have been invited by the Department for Education (DfE) to take part in their 'Safety Valve' programme, and those with less severe but nonetheless substantial deficits have been invited to the 'Delivering Better' Value in SEND programme. Newham is taking part in the Delivering Better Value programme, the aim of which is to support local authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable. This should help achieve and reinforce the recovery plan.

11.5. The Schools Block of the DSG is ring-fenced, however local authorities can transfer up to 0.5% of the Schools Block funding to mitigate high needs pressures. A transfer to the high needs block has been approved by Newham's school forum which equates to £2m in 2024-25, the funding will be used to support high needs inclusive schools as well as provide a 3.4% uplift to SEND banded rates. The 2024-25 uplift to the high needs block is 2.8% which is an increase of £2.2m compared to 2023-24. The Newham High Needs Recovery Plan includes using funding from the block uplift to reduce the DSG deficit over the medium term.

12. Scrutiny and Engagement

12.1. Following the presentation of the draft budget report to Cabinet on 30 January 2024, a period of public engagement commenced. Events were held with the Mayor, Cabinet and senior officers meeting with residents and other key stakeholders, including local businesses, anchor partners and the voluntary, community and faith sector. These events were well attended and afforded residents and other stakeholders with information on the Council's financial position and budget plans, as well as providing the opportunity for their questions to be answered, and their view and points listened to.

12.2. Additionally, the Overview and Scrutiny Committee set up a formal Budget Working Commission which held a series of meetings with the Mayor and Cabinet alongside senior officers, to scrutinise the budget proposals in detail. This helpful and constructive work has culminated in a report detailing its findings and recommendations to Cabinet which will be included as a supplementary report to Cabinet. A response to the recommendations is presently being finalised and will be published ahead of Full council at the end of February 2024.

13. Next Steps

- 13.1. For information, the budget production timeline follows in **Table 12 – Budget Timetable** below, the next stage after the Cabinet meeting is the Full Council meeting to be held on 29 February 2024.

Date	Event	Detail
22 Jan 2024		Papers published for 30 Jan Cabinet
30 Jan 2024	Cabinet	Cabinet met to agree the draft budget proposals for public engagement
30 Jan – 5 Feb 2024	Engagement window	Window for resident and stakeholder engagement
30 Jan – 12 Feb 2024	Budget Working Commission	Window for the Budget Working Commission to review and scrutinise the proposals
12 Feb 2024		Papers to be published for 20 Feb Cabinet
20 Feb 2024	Cabinet	Cabinet meets to recommend final budget proposals to Full Council
21 Feb		Papers published for 29 Feb Full Council Meeting
29 Feb	Full Council	Full Council meets to agree the budget and set Council Tax for the 2024/25 financial year

14. Delivering Council Policy and Corporate Priorities

- 14.1. The budget allocates resources so that directorates can deliver Council policies and corporate priorities. These budget proposals include specific growth proposals which would provide resources for those elements of the Corporate Delivery Plan which require new funding to be delivered.

15. Alternatives Considered

- 15.1. This report contains proposals which achieve a balanced budget for 2024/25. Prior to the final budget setting at the planned full meeting of the Council, alternative proposals can be considered, but the end result must provide a balanced budget for the coming financial year.

16. Consultation

- 16.1. Councillor Zulfiqar Ali, December 2023, January 2024, February 2024.
16.2. Mayor and Cabinet Lead Members, December 2023, January 2024, February 2024.

17. Implications

- 17.1. **Financial Implications, including the Section 25 Statement**
- 17.2. **Table 13 below**, sets out the changes from the draft to final budget proposals and demonstrates how the budget has been balanced including the use of receipts from planned capital disposals.

	Draft Budget	Final Budget	Change	Description	General Fund Budget
	£m	£m	£m		£m
Net budget					363
Add, new expenditure					
Inflation	28.9	28.9	0.0		
Housing Crisis	16.7	19.2	2.5	<i>Additional Growth</i>	
Demographic Change	10.2	10.2	0		
Financing the Capital Programme	8.0	8.0	0		
Investing in Services	5.5	5.0	-0.5	<i>Growth Review</i>	
Other	5.3	5.3	0		
Subtotal, new expenditure	74.6	76.6	2		77
Less, additional income			0		440
Increase in Government Grants	-6.5	-9.7	-3.2	<i>Social Care Grant</i>	
Council Tax and NNDR	-20.2	-21.1	-0.9	<i>NNDR income</i>	
Sales Fees and Charges	-0.7	-0.7	0		
Subtotal, additional income	-27.4	-31.5	-4.1		
Budget, gap to close	47.2	45.1	-2.1		
Less, closing the gap					
Savings	-22.2	-22.2	0	<i>Savings review</i>	
GLA funding of Eat for Free	-6.0	-6.0	0		
Contingency Budget Adjustments	-3.0	0.6	3.6	<i>Increases to contingency</i>	
Collection Fund Drawdown	0.0	-2.0	-2	<i>Collection fund movement</i>	
Final Central adjustments	0.0	0.6	0.6	<i>Reconciling correction & adjustments</i>	
Subtotal, closing the gap	-31.2	-29.0	2.2		-29
Revised Budget Gap to close	16.0	16.0	0		411
Financed from capital disposals	-16.0	-16.0	0		-16
Balanced Budget	0.0	0.0	0		395

17.3. The Section 25 Statement

17.4. This is the formal statement pursuant to Section 25 of the Local Government Act 2003 ("the Act"). The Act requires the Chief Finance Officer of a local authority, when that authority is agreeing its annual budget, to report on:

“the robustness of the estimates made...and the adequacy of the proposed reserves.”

- 17.5. This statement should be read in conjunction with the financial implications provided when Cabinet considered its draft budget on 30 January 2024. However, in view of the significant financial pressures faced, especially for temporary accommodation and the approach that the Council has had to adopt as a result I have added substantial further detail.
- 17.6. The financial challenges faced across the local authority sector are well-known. Most prominent are those authorities that have published a “Section 114 Notice”, often referred to colloquially as a declaration of bankruptcy. However, mainstream news media has in recent months increasingly highlighted the substantial pressures faced across the sector.
- 17.7. Newham faces the same problems as the rest of the sector in terms of rising social care costs, inflation generally and the local government funding system which is widely considered to be out of date and in need of substantial reform. For example, the proposed “Fair Funding Review” was first proposed by the predecessor government department to DLUHC years before the pandemic but there is still no indication as to when this might conclude. Realistically, this cannot now be completed before a general election and it is unclear how whatever government is formed following that will address the matter. Furthermore, as set out in the report, without reform very substantial savings will continue to be required beyond 2024/25.
- 17.8. In addition, Newham could fairly be described as being at the epicentre of the housing crisis. Councils across London and the south-east especially, but increasingly across the country, are struggling to contain the cost of this. The problem is acute in Newham, where the number of households in temporary accommodation is the highest in the country.
- 17.9. The report has shown that the principal government grants received by Newham have risen by just £3.7m (2.3%) final figure after taking account of final settlement. Most strikingly, the Homelessness Prevention Grant is expected to rise by just £0.1m, whereas we estimate that we will need to add £17.5m to the budget to cover the costs next year.
- 17.10. These issues are widely acknowledged and there can be no serious doubt that any local authority would find setting a budget under such circumstances exceptionally challenging. Were it not for the temporary accommodation issue, for example, Newham would have been able to set a more conventional budget without relying on capital receipts in the way proposed.
- 17.11. However, it is essential to emphasise that despite all of this, setting the budget remains Newham’s issue to deal with and the Council must fulfil its legal obligations to do so, including considering seriously the advice from officers, the options available to it and in particular this statement from the statutory section 151 officer.

17.12. The budget proposed is unarguably short-term. This is entirely understandable in the circumstances and the fact that the emphasis needs to be on 2024/25 does not mean that long-term policy and financial considerations have not been taken into account. Quite the reverse: the budget includes substantial capital investment in housing and other areas precisely because the council takes a long-term approach to managing its finances.

17.13. However, the proposals rely on capital receipts to balance the budget in 2024/25. The Council does hold a significant portfolio of non-strategic assets, but it is obviously the case that disposals can only be a time-limited solution. This approach also requires government to adopt the proposals to allow greater flexibility on the use of capital receipts. Officers continue to expect that this will be confirmed but the alternatives if it is not adopted, or only adopted in part, are also set out.

17.14. The robustness of the estimates made

17.15. Turning specifically now to the first of the two requirements under the Act, my view is that the estimates in the budget are reasonable, although some significant risks remain.

17.16. The council faces a significant overspend this year, currently forecast at £15.9m. In view of the significance of this and the risk that, if not properly dealt with through the budget, it may recur in 2024/25 I have set out in some detail how this has been addressed. The principal factors driving the overspend are the ones referred to above: social care and temporary accommodation, together with the mismatch between general inflation and government funding.

17.17. The budget proposed for 2024/25 sets aside £28.9m for inflation, made up of:

- £11.1m for the officer pay settlement. As this is not yet known a reasonable estimate has been made that this will be at the same level as the 2023/24 settlement. Every percentage point difference will amend the actual amount required by approximately £2m.
- £6.8m for general inflation. This is based on 5% of the aggregate contracts, supplies and services budget, which is reasonable as actual inflation for Newham will tend to be between 6.7% (the September CPI figure) and 4% (the current rate). To be prudent no allowance has been made for the Bank of England projection that inflation will have fallen to 2% by Q2 2024, especially as those same forecasts see inflation then trending somewhat upwards later in 2024.
- £8.9m for inflation in the social care sector where contract prices are largely determined by the rate of inflation in the National Minimum and London Living wage, which are anticipated to continue to rise more quickly than general inflation.
- £2.1m for the known increased costs of Transport for London's Freedom Pass scheme, the East London Waste Authority levy and business rates for council owned properties.

- 17.18. As with any budget the actual figures may turn out to be different, but for the reasons given above these estimates for inflation are reasonable.
- 17.19. The 2023/24 overspend in social care is £6m, split broadly evenly between adults and children's.
- 17.20. Excluding efficiency measures and policy proposals designed to reduce costs growth (excluding inflation), £2.7m has been estimated as needed to meet the more complex needs of a rising and ageing population.
- 17.21. Excluding efficiency measures and policy proposals designed to reduce costs growth (excluding inflation) of £3.5m has been added to the Children's social care budgets which has been estimated as needed to meet the needs of a rising children in care population as well as enhanced complexity.
- 17.22. As set out in the report, the final local government finance settlement included an extra £3.1m for social care in Newham. This is being held back as a contingency in the early part of the year as a prudent measure against the above estimates proving insufficient.
- 17.23. Taken in the round, the estimates for social care are reasonable. The budget growth allocated matches known cost pressures with an additional £3m from the final settlement against further increases in caseloads and costs.
- 17.24. The temporary accommodation budget is more challenging. The growth allowed in 2024/25 has been increased from £15m to £17.5m to reflect the worsening position this year. In 2023/24 to date (end of January) the Council accepted a housing duty to 251 net new households, an average of 25 per month. The £17.5m will be sufficient for 2024/25 provided that the average rate of new duties accepted is at or around 30 per month, with no further exceptional increases in costs. The calculation is complicated by cost inflation, which in parts of the temporary accommodation system has been in excess of an extraordinary 45% during 2023/24. Clearly, these pressures are also mitigated by the effect of the Council's acquisition programme and other measures to alleviate the crisis, the effect of which cannot be forecast precisely.
- 17.25. In 2023/24 the council allocated an additional £10m to cover the cost of temporary accommodation. The additional £17.5m proposed will bring that total to £27.5m since 2023/23. This is an extraordinary figure, but there clearly remains a real risk that the final costs in 2024/25 may be even higher. If the crisis continues to worsen, and there is no government intervention then further resources will need to be found, which would present a major challenge for the Council as other services would need to be reduced substantially and at pace to compensate.
- 17.26. However, given the scale of the council's planned interventions, with up to £100m of new capital allocated for acquisitions in 2024/25, and other policy interventions, the estimates for temporary accommodation are in all the

circumstances reasonable, albeit that further risks remain. In particular, the plan to extend the range of acquisitions beyond the current 90-minute public transport travel time provides potentially significant mitigation beyond the very short-term.

17.27. Finally, the council retains a contingency budget of £3.6m which provides a measure of assurance against these risks, or the more general risks that any budget contains, such as non-delivery of savings or other pressures arising on budgets. Taken in the round, then, I am satisfied that the estimates for temporary accommodation are reasonable and I have explained the principal risks to them in view of the significant volatility in this area.

17.28. **The adequacy of the proposed reserves**

17.29. There are no specific or precise rules setting out the proper level of reserves for a local authority to hold, as in each case the local circumstances will vary. However, a commonly adopted benchmark is that the general fund reserve should be of the order of 5% of the net budget. Newham has worked on this basis, which would imply a desired level of general reserves as at 31 March 2025 of £19.7m.

17.30. This figure will not be met, which is a cause for concern, albeit that the extraordinary financial pressures faced by the Council mean that it is at least understandable why this should be so. Moreover, the budget for 2024/25 contains a contribution to reserves of £3m and this is a recurring item in the budget. Unless Council in the future votes to reduce it – which unless circumstances have materially changed would be contrary to my statutory advice – this means that this contribution to reserves would be made each successive year until the reserves are restored. The position is summarised below in **Table 14**.

	£m	£m
General fund reserve as at 31 March 2023		7.1
Add contribution to reserves 2023/24	4.0	
Less, overspend in 2023/24	(15.9)	
Sub-total		(4.9)
Transfer from earmarked reserve (see below)	15.5	
General fund reserve as at 31 March 2024		10.7
Contribution to reserves 2024/27	9.0	
General fund reserve as at 31 March 2027		19.7
Target general fund reserve as at 31 March 2027 (based on 5% of the 2024/25 net budget)		19.7

17.31. The transfer of £15.5m from earmarked reserves is required to avoid a deficit on the general fund. The consequences of this are set out below.

17.32. The full position of the Council's available reserves has been set out throughout the financial year, with the obvious starting point being the "Going Concern" report to the Audit Committee on 29 June 2023;
[Going Concern Statement, June 2023](#)

17.33. The capital financing reserve of £82m included within this was set aside to provide a means of taking measured risks on the capital programme. Newham's financial strategy includes major regeneration schemes, where the council borrowing to finance them is met from long-term rental income. Borrowing will rise substantially, towards £3bn by 2040, in order to deliver this strategy and any programme of this scale inevitably includes a variety of significant financial and other risks.

17.34. There is nothing inappropriate in a local authority adopting this approach, especially as the purpose is investing in local services and housing rather than, as some failed authorities attempted, investing or speculating for commercial gain. Nor is there anything inappropriate in taking on risks: the only way completely to avoid such risks would be to take no action at all beyond the narrowest possible definition of statutory services. Holding this reserve provided a measure of mitigation of these risks and depleting it by £15.5m, almost 20%, significantly reduces that mitigation.

17.35. The Council will need to review the viability of its major regeneration schemes over the first half of 2024, as it does routinely in any event, in order to inform an assessment of any changes to the approach proposed. As a minimum this should look to see whether overall viability can be improved by at least this amount in order to restore the level of the reserve.

17.36. On this basis the reserves proposed in the budget are adequate, because there is a clear and budgeted plan to restore the shortfall in an acceptable period of time. For the avoidance of doubt, this requires the council to spend within its budgets for future years, continue to make the budgeted contribution to the general fund reserve and assess how the viability of its major regeneration schemes can be improved over the first half of 2024.

17.37. Capital receipts

17.38. In all of this the budget includes an assumption that capital receipts of around £16m can be generated in 2024/25 and that government adopts the proposals in its consultation to allow greater flexibility in the use of them. Specifically, this would allow capital receipts to be used to add to reserves and/or used to cover revenue expenditure more widely, rather than repaying debt.

17.39. There is a reasonable level of confidence that the required receipts can be generated, based on sites already identified and presented to Cabinet, which does not preclude the addition of further sites to the list. I expect government to adopt the proposals on which it is consulting, but it is clearly impossible to say with certainty that this will happen.

17.40. In the event that the proposals are not adopted then receipts can still be used to reduce capital financing liabilities. This provides a payback, but not so dramatic in 2024/25 as the option proposed by government.

17.41. In this position the Council would then have to remove the discretionary growth allowed for in this budget. Binding contracts against these budgets ought not to be entered into until the position has been confirmed. Furthermore, if the capital receipts proposals were not approved then significant reductions to all forms of discretionary expenditure would also be required; and at pace.

17.42. Looking ahead, the strategic transformation plan will be essential to address the significant financial pressures and without a more realistic approach to funding by government then the future looks exceptionally challenging.

17.43. Legal Implications

17.44. The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 (the 1992 Act) to set a council tax for the forthcoming year and its budget estimates. In accordance with Section 30(6) of the 1992 Act, the decision must be made before 11 March of the preceding year (i.e. by midnight on 10 March), but is not invalid merely because it is made on or after that date.

17.45. The “council tax requirement” calculated in accordance with sections 31A and 31 B of the 1992 Act is reflected in the report.

17.46. Each Member has a positive duty to ensure that the Council complies with its legal obligations, to set a lawfully balanced budget. In doing so, the Council’s prospective expenditure must not be likely to exceed its resources available to meet that expenditure.

17.47. , The Chief Finance Officer is required to report to the Authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. Cabinet must consider these estimates when determining whether the proposals should be recommended to Council for approval.

17.48. The approval of the budget and calculation of council tax is a decision reserved to (full) Council under Section 67(2)(b) of the 1992 Act. Should Council seek to reject or vary the budget in any material respect (in a way which is contrary to the Executive’s recommended budget), then the statutory process set out in Part 4.3 of the Constitution¹ must be followed.

17.49. Section 52ZB of the 1992 Act (as amended) and schedule 5 of the Localism Act provide for a referendum to be held if an authority increases its basic amount of council tax in excess of a prescribed figure set in accordance with principles determined by the Secretary of State. The proposed increases in this report do not require a referendum.

17.50. Cabinet and Council, in recommending and then setting the Council Tax, must have due regard to the impact those decisions will have upon the Council’s statutory public sector equality duty as set out below.

17.51. Sections 38 to 43 of the Localism Act 2011 (the Act) set out the statutory provisions relating to certain aspects of the Council's pay and reward regime. The Act requires the Council to prepare an annual pay policy statement and the Council is also required to have regard to statutory guidance issued. The pay policy statement must be approved by a resolution of full Council before it comes into force and, thereafter, can only be amended by Council. By s39(3) the pay policy statement must be prepared and approved before the end of 31 March immediately preceding the financial year to which it relates.

17.52. The Monitoring Officer's detailed advice is attached at appendix 14.

17.53. Equalities Implications

17.54. 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:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

17.55. 'Protected characteristics' are: age, gender, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

17.56. Any decisions which need to be taken as a result of the final approved budget should be made in accordance with the duty set out above. Where appropriate, Equality Impact Assessments have been undertaken and developed and these feed into the cumulative equalities impact assessment attached as Appendix 11 to this report.

17.57. 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.

17.58. Members 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. Draft Budget Report for 2024/25
[Local Investment for Fairness in Tough Times - Draft Budget Proposals for 2024/25 \(newham.gov.uk\)](#)
- 18.2. Overall Finance Position – Q2 Budget Monitoring Report;
[Overall Financial Position - Part One](#)
[Overall Financial Position - Part Two](#)
- 18.3. July Finance Review
[July Finance Review 2.pdf \(newham.gov.uk\)](#)
- 18.4. Going Concern Assessment 2022/23
[Going Concern Assessment 2022/23](#)