

Report for: Full Council 27th February 2017

Item number:

Title: 2017/18 Budget

Report authorised by: Tracie Evans – Chief Operating Officer

Lead Officer: Jo Moore – Deputy Chief Finance Office

Ward(s) affected: ALL

**Report for Key/
Non Key Decision:** Key.

1. Describe the issue under consideration

- 1.1. Cabinet considered the 2017/18 budget report at their meeting held on 14th February 2017 and resolved to propose that report, unchanged, for consideration and approval of the final budget and Council tax for 2017/18 by Full Council in accordance with the Council's constitution.

2. Cabinet Member Introduction

- 2.1. My comments can be found in the Cabinet report attached as Annex 1. Although announcement of final local government settlement is expected any time, the Council is yet to receive final confirmation of central government funding for 2017/18, so government funding figures in this report are provisional until confirmed. However, I do not expect that the final settlement amounts will differ significantly from what is contained in this report. Any changes to the amounts set out in this report will be reported to full Council.

3. Recommendations

- 3.1. Council are asked:
 - (a) to note the proposed Budget package agreed by Cabinet on 14th February 2017, including the outcomes from the budget consultation processes, which is attached as Annex 1.
 - (b) to note the revised budget and MTFS (2017-2022) position based on new information that has become available since the Cabinet meeting of 14th February 2017, which is set out in more detail in section 7 and at Annex 1A of this report
 - (c) to approve the policy on flexible use of capital receipts as set out in 7.2c and Appendix C of Annex 1A to this report

- (d) to note the Budget Scrutiny recommendations made by the Overview and Scrutiny Committee and the response of the Cabinet set out in Appendix 7 to the Cabinet budget report (Annex 1)
- (e) to approve the increase in the Haringey Council tax of 3% relating to the Adult Social Care precept;
- (f) to approve the Cash Limits 2017/18 as set out in Annex 2;
- (g) to approve the General Fund budget requirement for 2017/18 of £255.762m, net of Dedicated Schools Grant, as set out in Appendix 1 to the Cabinet budget report (Annex 1);
- (h) to approve the 2017/18 General Fund capital programme set out in Appendix 3 to the Cabinet budget report (Annex 1);
- (i) to approve the Housing Revenue Account Budget 2017/18 as set out in Appendix 2 to the Cabinet budget report (Annex 1);
- (j) to approve the 2017/18 Housing Revenue Account (HRA) capital programme set out in Appendix 4 to the Cabinet budget report (Annex 1);
- (k) to note the Greater London Authority (GLA) proposed precept (para. 8.5);
- (l) to delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance and Health, to reflect any final changes to the level of the GLA precept in the Council's Council tax billing information set out in Annex 5;
- (m) to approve the reserves policy including the Chief Finance Officer's (CFO) assessment of risk and her assessment of the adequacy of reserves, as set out in Annex 3 (a – c);
- (n) to approve the estimated level of un-earmarked General Fund reserves and the specific and other reserves as set out in Annex 3c;
- (o) to note the report of the Chief Finance Officer under Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of proposed reserves set out in section 9;
- (p) to approve the (amended) Treasury Management Strategy Statement 2017/18 set out in Annex 4; and
- (q) to pass the budget resolution including the level of Council tax, in the specified format and to determine that the Council's relevant basic amount of Council tax for the year is not excessive as set out in Annex 5.

4. Reasons for decision

4.1. The Council approved its Corporate Plan and Medium Term Financial Strategy (MTFS) covering the period 2015-18 in February 2015. The MTFS at the time showed that as a result of reductions to the Council's funding from central government, savings of £70m would be required to mitigate the

shortfall in the MTF5 and deliver a balanced budget position in each of the three years covered by the MTF5 (2015-18).

- 4.2. The approved Corporate Plan set out the Council's priorities and the MTF5 outline the overall financial strategy for and Workforce Plan for achieving those priorities. As part of the refresh of the MTF5, the period covered as being extended to five years (2017 – 2022).
- 4.3. As a result of significant and continuing central government funding reduction, the MTF5 refresh shows that an additional £45m (net of future budget growth approvals) of savings will be required in the period covered by the MTF5 (2017-2022).
- 4.4. Following the publication, on 13th December 2016, of the Provisional Local Government Finance settlement, Cabinet reviewed the impact of the settlement on the 2017/18 budget set out in the approved MTF5. A further report to the Cabinet on 14th February 2017 provided the Cabinet with the opportunity to finalise the budget proposals set out in this report taking into account the feedback from consultation and the views of the Overview and Scrutiny Committee.
- 4.5. The report and recommendations from the Cabinet meeting on 14th February 2017, which were agreed in full, are attached as Annex 1. It should be noted that these proposals have been subject to revision, as detailed at paragraph 7 and Annex 1A to this report.
- 4.6. As at the submission of this report, central government is yet to publish the final Local Government Finance Settlement; however, it is not expected that following the final local government finance settlement that Haringey's position will change materially from the information that was provided to Cabinet.
- 4.7. Taking all relevant factors into account, including in particular the outcomes from statutory consultation with business rate payers, further public consultation and the recommendations from the Overview and Scrutiny committee meeting held on 30th January 2017 this report sets out budget proposals including Cabinet's proposals for the level of Council tax for the Council, which has now been amended per annex 1A, to consider and approve.

5. Alternative options considered

- 5.1. In accordance with legislation and the Council's constitution, this report recommends that the Council should note the proposed budget package agreed by Cabinet on 14th February 2017, approve the 2017/18 budget and approve the Council tax for 2017/18. Accordingly no other options have been considered.

6. Background information

6.1. On 14th February 2017 Cabinet agreed a proposed Budget package for submission to this meeting of the Council, including a revenue budget for 2017/18 of £255.762m, with an additional indicative budget of £250.4m in respect of the Dedicated Schools Grant and approved the 2017/18 Capital Programmes for both the General Fund and Housing Revenue Account (HRA). This is subject to the final Local Government Finance Settlement and the decisions of levying and precepting authorities.

6.2. The Cabinet report of 14th February 2017 (attached as Annex 1 to this report), and the proposed budget package recommended to Full Council by Cabinet, together with subsequent amendment attached at annex 1A are the subjects of debate at this meeting.

6.3. This report addresses:

- The Final Local Government Finance Settlement 2017/18;
- The decisions of levying bodies and precepting authorities;
- Considerations in setting the Council tax;
- The robustness of the Council's budget process;
- The adequacy of the Council's reserves; and,
- The Treasury Management Strategy Statement 2017/18 as amended by the Chief Financial Officer in conjunction with the Chair of the Corporate Committee in line with urgent action procedures in set out in the Constitution.

6.4. The report concludes by presenting the budget resolution to set the Council tax for 2017/18.

7. Changes since the Cabinet meeting of 14 February 2017

7.1. In light of new information, some of the information provided in the budget report that went to Cabinet has been updated. Other than the increase in council tax income of £54k, the proposed changes are technical adjustments and do not impact on the net budget position that was presented to Cabinet for approval. Annex 1A details the changes to the Cabinet report including updates to the tables and appendices where these have changed as a result of the amendments.

7.2. In addition to the details contained in annex 1A, the following appendices have been amended or added:

- Appendix A – Medium Term Financial Strategy (2017 – 2022) amend appendix 1 of the Cabinet report;
- Appendix B – 2017/18 General Fund Revenue Budget amend appendix 6 of the Cabinet report; and

- Appendix C is a new appendix that sets out the Council's policy on the flexible use of capital receipts.

7.3. The budget position has been updated to reflect these changes and the changes can be summarised as follows:

- a. Clarification of the guidance on the application of the Adult Social Care precept has resulted in a change in the calculated average Band D Council tax to £1,244.25.
- b. Following review of the budget allocation process to priority areas, but mainly the splitting of the public health budgets between priority 1 and 2, further realignment of priority budgets is required prior to full Council's approval of cash limits. These changes are contained within paragraph 2 of annex 1A.
- c. Cabinet had agreed a 3 year savings programme at its meeting in December 2016, which included a specific savings in respect of voluntary redundancy programme of £1.5m. It was anticipated that any redundancy cost from these savings proposals would be met by the flexible use of capital receipts in line with guidance issued by the Secretary of State for Communities and Local Government in March 2016. Appendix C (annex 1A) sets out the Policy on the Flexible use of Capital Receipts.

8. Key Developments

Final Local Government Finance Settlement 2017/18 and other changes

- 8.1. Details of the final Local Government Finance settlement 2017/18 are yet to be announced and, therefore, too late to be included in the report for the Cabinet meeting of 14th February 2017. This information is expected soon, but may not be available prior to going to publishing this report in which case the final confirmation of local government finance settlement will be provided at Full Council.
- 8.2. There have been no other funding announcements or the provision of other information by the government that would change the key assumptions underpinning Cabinet's proposals to Council regarding the 2017/18 budget, the HRA, the DSB, and the Capital Programme(s).
- 8.3. Any such changes that do occur following Council's approval of the 2017/18 Budget will be reported to Cabinet as part of the normal budget monitoring and financial planning processes.

Levying bodies

8.4. The Board of the North London Waste Authority (NLWA) met on 9th February 2017 and agreed an overall levy of £47.9m for 2017/18; which is a (2.79%) increase over the 2016/17 position. Of this overall sum, £7.875m is the levy to this Council.

The Greater London Authority Precept

- 8.5. The Mayor's final draft budget proposals for the 2017/18 consolidated budget were scheduled to be published on Friday 10th February and will be considered by the London Assembly on Monday 20th February. The current draft proposals indicate a proposed increase of £4.02 (1.5%) to £280.02 (Band D) however, it is possible that this may change before the final budget is approved – including the possibility of a change at the meeting on the 20th February.
- 8.6. It is possible, therefore, that the amounts shown in respect of the GLA precept in Annex 5 – the formal Budget resolution, may change. The Council as a billing authority is required to reflect the level of any relevant precept notified to it and so it is not a decision of the Council as to whether the level of the GLA precept should be approved or not. It is however, imperative that the information produced by the Council as the Billing Authority reflects the final decision taken by the GLA.
- 8.7. In order to accommodate the possibility that the final GLA precept varies from that currently advised, the recommendation to the Council is that it approves the budget resolution as currently presented at Annex 5 which reflects the current position and gives delegated authority to the Council's Chief Finance Officer (CFO) in consultation with the Lead Member for Finance and Health to implement the final GLA Council tax precept in the Council's billing information.
- 8.8. In the very unlikely event that the GLA finally resolve a Council tax precept at a level requiring them to undertake a referendum (i.e. a greater than 2% increase which in monetary terms, based on an analysis of the benchmark Band D property, would equate to an increase in the GLA precept of £5.52 per annum) a further report considering the implications of this on the Council would need to be considered.

9. Considerations in setting the Council tax

- 9.1. The Localism Act 2011 gave electors the right to veto excessive Council tax rises. Councils that set 'excessive' tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 9.2. The Government has announced that those authorities with Adult Social Care functions can implement an Adult Social Care precept up to a maximum of 6% between 2017/18 and 2018/19, providing that the sums raised are

allocated entirely towards Adults Social care costs; the Chief Finance Officer must make a declaration to the Secretary of State to the effect that this has been achieved and specific information must also be made available on the face of the Council tax bill highlighting this to taxpayers.

- 9.3. It has been confirmed by the Government that for 2017/18 an increase is excessive if the authority's relevant basic amount of Council tax for 2017/18 is 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure) or more than 4.99% greater than its relevant basic amount of Council tax for 2016/17.
- 9.4. In total therefore the Council could approve an increase in its relevant basic amount of Council tax of up to 4.99% without triggering a referendum.
- 9.5. Accordingly the basis of the Cabinet's budget proposals to only implement the Adult Social Care precept gives rise to an increase of 3% in the relevant basic amount of Council tax and is, in terms of the legislation, deemed as not being excessive. Council is, therefore, recommended to resolve the relevant basic amount as not excessive at paragraph 6 of the Formal Budget Resolution (Annex 5).
- 9.6. In considering the level of its Council tax for 2017/18 the Council should have regard to:
 - The level of non-Council tax funding resources that will be available;
 - The on-going demand for services;
 - The views of residents, businesses and other interested parties;
 - The level of efficiency savings and service reductions that can realistically be delivered;
 - The criteria for a Council tax referendum determined by the government;
 - The general economic climate and the additional financial burden any increase would have on Council tax payers.
- 9.7. The projected income from Council tax in 2017/18 is £93.773m based on 75,365 Band D equivalent properties (the Tax Base) a collection rate of 95.5%, and the proposed Band D Council tax rate of £1,244.25. The 2016/17 Tax Base was 72,175 Band D equivalent properties.
- 9.8. These proposals result in total available funding (the 'Budget Requirement') for 2017/18 of £255.762m, as set out in recommendation 3.1(g), above.

10. Robustness of the budget process

- 10.1. The Council's Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the final budget calculations.
- 10.2. The government continues its programme of public spending reductions, originally set out in its Spending Review (SR) of 2010 but continued through SR 2015 and intervening Autumn Statement and Budget Statement

announcements which have set out significant funding reductions for local authorities. In addition the government has embarked on a range of far-reaching changes across the public sector such as the transfer of Public Health responsibilities to Councils and the implementation of a range of welfare reforms.

- 10.3. The Business Rate Retention Scheme was implemented in April 2013 and this allows Councils to retain a proportion (30%) of net growth in the Business Rates in its area. As such there has also been significant risk and uncertainty transferred from central to local government.
- 10.4. To meet the unprecedented scale of this financial challenge, the Council set out a robust three year Medium term Financial Strategy in 2015 covering the period 2015 – 2018. The last year of the current MTFs has been refreshed and the period covered by the MTFs has been extended to five years (2017-2022). The Council plans to continue its approach to delivering services by prioritising front line and key service areas.
- 10.5. The budget proposals for 2017/18 include a designated £5m contingency sum.
- 10.6. The budget proposals have been subject to detailed scrutiny and the Cabinet has also undertaken consultation with residents and businesses.
- 10.7. The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 30th January 2017, together with the responses of the Cabinet, are set out in Appendix 7 to the Cabinet report of 14th February 2017 (attached as Annex 1 to this report).
- 10.8. The budget process is complemented by a regular cycle of Budget Management and Performance Reviews. This involves detailed evaluation of budget, performance and workforce information at both Cabinet Member and senior officer levels. The Council's Risk Management process also underpins all of these activities.
- 10.9. The 2016/17 budget management position identifies significant budget pressures and the need to draw further on the Council's reserves in order to maintain a balanced budget; reserves can only be used once and it is important that those savings proposals, where there has been slippage, are progressed effectively in 2017/18.
- 10.10. Accordingly, the Chief Financial Officer is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the 2017/18 budget.
- 10.11. It is, however, imperative that the Cabinet and Council continue to pursue the identification, and subsequent delivery, of those savings that have not been fully delivered in 2016/17 together with the additional savings required from 2017/18 onwards as set out in this report, including consideration of

options for reducing the identified need for the additional support from the Council's reserves required to balance the three year programme.

Adequacy of Reserves

- 10.12. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Annex 3a, which the Council should formally review each year.
- 10.13. It is projected that the Council will have an un-earmarked General Fund Reserve of c£15m as at 31st March 2018. The final position will be dependent however on the Council's financial outturn 2016/17 to be reported to Cabinet in June 2017.
- 10.14. The level of earmarked reserves will be subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 10.15. The Council holds a number of reserves which are detailed in Annex 3b and can be categorised as follows:
- **Non-earmarked (general) Reserves** - These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
 - **Earmarked (specific) Reserves** - These are held to cover specific known or predicted financial liabilities;
 - **Other Reserves** - These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools' accumulated balances.
 - Annex 3c also shows the projected movement on the reserves over the financial planning period 2017-18. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.
 - It is imperative the un-earmarked general reserves and contingencies are adequate to meet the net financial impact of the risks facing the Council. These risks have been assessed as £21m, as set out in Annex 3c. Accordingly the proposed levels of general reserves set out above, together with the contingency provision in the Council's base budget are judged to be adequate within the meaning of the 2003 Act.
- 10.16. No change to the Council's Reserves Policy is recommended at this time.

11. Treasury Management

- 11.1. The Treasury Management Strategy Statement (TMSS) for 2017/18 set out in Annex 4 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was considered by Corporate Committee on 31st January 2017 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.

- 11.2. The Council's Overview and Scrutiny Committee also considered the TMSS on 30th January 2017 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.
- 11.3. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 14th February 2017. Any future decision by the Council to undertake further debt financed capital expenditure, including in particular any changes associated with the Capital Strategy will require a review of the prudential indicators and further approval by full Council.
- 11.4. The Chief Operating Officer under delegated authority and in conjunction with the Chair of Corporate Committee has taken urgent action to seek explicit approval for the application of changes to the MRP policy to take effect from 1st April 2016. This and other changes to the TMSS are detailed in annex 4.

12. Summary and Conclusions

- 12.1. This report finalises the Budget process and proposes that Council tax is increased in respect of a 3% Adult Social Care precept.
- 12.2. The level of financial reserves is also reported and those levels are considered to be adequate.
- 12.3. The Council is required to determine whether its increase in Council tax for 2017/18 is 'excessive' and, if so, would trigger a referendum.
- 12.4. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.
- 12.5. The Medium Term Financial Strategy 2017-2022 recognises the key drivers and risks arising from the government's continued funding reductions and increases in demands for council services, but it remains essential the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of savings, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its diminishing resources.

13. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

- 13.1. As the report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

Assistant Director of Corporate Governance Comments and legal implications

- 13.2. In accordance with section 67 of the Local Government Finance Act 1992 (the '1992 Act'), the functions of agreeing the budget and the calculation of Council tax are to be discharged by the Full Council.
- 13.3. The Local Authorities (Standing Orders) (England) (Regulations) 2001 set out the process of approving the budget and provide that the adoption of the budget and calculation of the Council tax by Full Council is to be on the recommendation of the Cabinet. This report details changes to the budget proposals since their consideration by the Cabinet on 14th February 2017. It has been confirmed that the Leader of the Council has been notified and has considered these changes.
- 13.4. Under section 25 Local Government Act 2003, in considering decisions on the budget, and the level of Council tax, the Council must take into account this report from the Council's Chief Finance Officer, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.
- 13.5. The Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However Members must take into consideration their exposure to personal risk if they disregard clearly expressed advice.
- 13.6. The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil the statutory obligations in this regard.
- 13.7. In accordance with section 31A of the 1992 Act, the Council is required to calculate the Council tax chargeable by way of a Council tax requirement. The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income the difference is the Council's Council tax requirement for the year. The relevant basic amount of Council tax for the year is calculated by dividing the Council tax requirement after the deduction of levies by the Council tax base.
- 13.8. Under section 52ZB of the 1992 Act the Council is required to determine whether its proposed relevant basic amount of Council tax is excessive on the basis of criteria set by the Secretary of State. It has been confirmed by the Referendums Relating to Council tax Increases (Principles) (England) Report 2017-18 that for 2017/18 an increase is excessive if the authority's relevant basic amount of Council tax for 2017-18 is 5% (comprising 2% for expenditure on adult social care and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of Council tax for 2016-17. In such circumstances such an increase would be regarded as excessive and automatically trigger a referendum in the borough. The 'relevant basic amount' of Council tax was redefined by section 41 of the Local Audit and

Accountability Act 2014, and accordingly section 52ZX of the 1992 Act has been updated. Essentially an authority's relevant basic amount of Council tax is the authority's own level of Band D Council tax. With the current proposals of a less than 5% increase the Council is entitled to conclude in accordance with the Direction issued by the Secretary of State, that the relevant basic amount of Council tax is not excessive.

- 13.9. In accordance with section 30 of the 1992 Act, the Council is required to set the Council tax for the next financial year on or before 11 March. Under section 106 of the 1992 Act, any Member who is in arrears of two months or more Council tax must declare it at the meeting and abstain from voting upon this report.

Equalities and Community Cohesion Comments

- 13.10. Equality comments are included in the report to Cabinet dated 14th February 2017, attached as Annex 1 and there are no additional comments to make on the basis of this covering report.

14. Use of Appendices

Annex 1 – Cabinet report of 14th February 2017 including Appendices 1 – 12 (p63).

Annex 1A – Amendments to Cabinet report (p265)

Appendix A – Amendments to Medium Term Financial Strategy (2017 – 2022)
(relates to appendix 1 of annex 1)

Appendix B – Amendments to 2017/18 General Fund Revenue Budget
(relates to appendix 6 of annex 1)

Appendix C – Policy on Flexible Use of Capital Receipts

Annex 2 – Cash Limits analysed by Assistant Director (p275)

Annex 3 – Reserves (p277)

3a: Reserves Policy

3b: Reserves and their adequacy

3c: Risk evaluation

Annex 4 – The Treasury Management Strategy Statement (p287)

Annex 5– The Formal Budget Resolution (p321)

15. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

- Final Local Government Finance Settlement 2017/18.
- NLWA Budget Proposals report published 1st February (for 9th February meeting)
- GLA Budget proposals report published 10th February (for 20th February meeting)

For access to the background papers or any further information please contact Jo Moore –Deputy Chief Finance Officer on 0208 489 3659.