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05 February 2019

To: All Members of the Overview and Scrutiny Committee

Dear Member,

Overview and Scrutiny Committee - Tuesday, 5th February, 2019

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

6. ADDITIONAL BUDGET SAVINGS (PAGES 1 - 8)

Yours sincerely

Felicity Foley
Acting Committees Manager

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Report for: **Overview & Scrutiny Committee 5th February 2019**

Item number:

Title: Scrutiny of the 2019/20 Draft Budget / 5 Year Medium Term Financial Strategy (2019/20-2023/24)

Report authorised by: Jon Warlow, Director of Finance and Section 151 Officer

Lead Officer: Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** N/A

1. Describe the issue under consideration

- 1.1 To consider and comment on the further proposals included within the 12th February 2019 Cabinet report on the 2019/20 Draft Budget / 5 year Medium Term Financial Strategy (MTFS) 2019/24, presented since the 11th December 2018 Cabinet report.

2. Recommendations

- 2.1 That the Overview and Scrutiny Committee review and provide any recommendations on the further proposals in the 2019-20 Draft Budget/MTFS 2019/24 presented since the 11th December 2018 Cabinet report.

3. Background information

- 3.1 The Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) state: "The Overview and Scrutiny Committee shall undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee".
- 3.2 Also laid out in this section is that "the Chair of the Budget Scrutiny Review process will be drawn from among the opposition party Councillors sitting on the Overview and Scrutiny Committee. The Overview and Scrutiny Committee shall not be able to change the appointed Chair unless there is a vote of no confidence as outlined in Article 6.5 of the Constitution".

4. Overview and Scrutiny Protocol

- 4.1 The Overview and Scrutiny Protocol lays out the process of Budget Scrutiny and includes the following points:
- a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their reports shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC.

- b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.
 - c. Overseen by the lead member referred to in paragraph 4.1.b, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the new Draft Budget/MTFS. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that the Cabinet Member for Finance and/or Senior Officers attend these meetings to answer questions.
 - d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC meeting in January containing their recommendations/proposal in respect of the budget for ratification by the OSC.
 - e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/ proposals made by the OSC in relation to the budget.
- 4.2 The last stage for this budget cycle is this meeting's consideration of the additional budget proposals since the 11th December 2018 which will be put to Cabinet on February 12th 2019.

5. Draft Budget (2019/20) / 5 year MTFS (2019/20 – 2023/24)

- 5.1 The MTFS agreed by Council in February 2018 recognised a budget gap of £11m in 2019/20 that would need to be closed through further budget reductions. The 2019/20 budget/Medium Term financial Strategy (MTFS) 2019/20-2023/24 report published in December 2018 proposed new budget reductions required to address the closing of this gap which were presented for consultation and scrutiny during December 2018 and January 2019. The December report included a budget gap of £6.5m in the 2019/20 budget. The updated report being presented to Cabinet on 12th February 2019 now presents a balanced budget for 2019/20.
- 5.2 This meeting is asked to consider the additional final proposals set out by Cabinet to bridge the outstanding £6.5m gap in the December 2018 report and to make draft recommendations in respect of those additional proposals for referral to Cabinet for consideration, in advance of the Full Council meeting on 25th February 2019.
- 5.3 Appendix A sets out the 2019/20 Budget/ Medium Term Financial Strategy (2019/20 – 2023/24) – presented to Cabinet on 12th February 2019.
- 5.4 Appendix B sets out the summary of the new proposals now included in the February Cabinet report on the Draft Budget / 5 year MTFS .

6. Contribution to strategic outcomes

- 6.1 The Budget Scrutiny process for 2019/20 will contribute to strategic outcomes relating to all Council priorities.

7. Statutory Officers comments

- 7.1 There are no financial implications arising directly from this report. Cabinet responses to all Overview & Scrutiny recommendations will be included in the final papers for Cabinet on 12th February.

Legal

- 7.2 There are no immediate legal implications arising from this report.
- 7.3 In accordance with the Council's Constitution (Part 4, Section G), the Overview and Scrutiny Committee should undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol, which is outside the Council's constitution, covering the Overview and Scrutiny Committee.

Equality

- 7.4 The draft Borough Plan sets out the Council's overarching commitment to tackling poverty and inequality and to working towards a fairer Borough.
- 7.5 The Council is also bound by the Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 7.6 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 7.7 The Council has designed the proposals in this report with reference to the aims of the Borough Plan to reduce poverty and inequality. The Council is committed to protecting frontline services wherever we can and the budget proposals have focused as far as possible on delivering efficiencies or increasing income, rather than reduction in services.

8. Use of Appendices

Appendix A – 5 year Draft Budget (2019-20) / Medium Term Financial Strategy
(2019/20 – 2023/24) - Cabinet 12th February 2019

Appendix B – Budget Proposals since the December 11th 2018 Cabinet Report

9. Local Government (Access to Information) Act 1985

Background papers: 2019/20 Draft Budget / 5 year MTFS (2019/20 – 2023/24) -
Cabinet 12th February 2019

Appendix A 5 Year Draft Budget 2019/20 MTFS 2019/24 – 12th February 2019 Cabinet Report

	2018/19 Budget	Movement	2019/20 Projected	Movement	2020/21 Projected	Movement	2021/22 Projected	Movement	2022/23 Projected	Movement	2023/24 Projected
Services	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1	54,525	3,786	58,310	(1,382)	56,928	(90)	56,838	0	56,838	0	56,838
Priority 2	79,241	3,071	82,312	(3,111)	79,201	(6)	79,196	39	79,235	(100)	79,135
Priority 3	27,920	(1,268)	26,652	(1,765)	24,887	(600)	24,287	(70)	24,217	(70)	24,147
Priority 4	4,716	(3,543)	1,173	335	1,508	0	1,508	0	1,508	0	1,508
Priority 5	19,833	(945)	18,888	(708)	18,180	(573)	17,606	0	17,606	0	17,606
Priority X	38,281	(2,477)	35,805	(1,949)	33,856	(25)	33,831	(6)	33,825	(6)	33,819
Non Service Revenue	25,594	(2,066)	23,528	12,348	35,876	5,721	41,597	9,406	51,003	7,906	58,909
Further Savings to be identified	0	(0)	(0)	(13,171)	(13,172)	(811)	(13,983)	(4,112)	(18,095)	(2,375)	(20,470)
Total Budget Requirement	250,110	(3,442)	246,668	(9,403)	237,265	3,615	240,880	5,257	246,137	5,355	251,492
Funding											
New Homes Bonus	(2,736)	195	(2,541)	341	(2,200)	0	(2,200)	0	(2,200)	0	(2,200)
Adult Social Care Grant	(718)	718	0	0	0	0	0	0	0	0	0
Revenue Support Grant	(30,202)	30,202	0	0	0	0	0	0	0	0	0
Council Tax	(101,917)	(3,914)	(105,831)	(1,370)	(107,201)	(3,162)	(110,363)	(3,257)	(113,620)	(3,355)	(116,974)
Retained Business Rates by Pool	(20,729)	(15,755)	(36,484)	4,048	(32,436)	457	(31,980)	(500)	(32,480)	(500)	(32,980)
Top up Business Rates	(56,702)	(8,494)	(65,196)	31	(65,165)	(895)	(66,060)	(1,500)	(67,560)	(1,500)	(69,060)
Total Main Funding	(213,004)	2,952	(210,052)	3,050	(207,002)	(3,601)	(210,602)	(5,257)	(215,859)	(5,355)	(221,214)
Public Health	(20,209)	532	(19,677)	0	(19,677)	0	(19,677)	0	(19,677)	0	(19,677)
Other core grants	(16,897)	(42)	(16,939)	6,353	(10,586)	(14)	(10,601)	0	(10,601)	0	(10,601)
TOTAL FUNDING	(250,110)	3,442	(246,668)	9,403	(237,265)	(3,615)	(240,880)	(5,257)	(246,137)	(5,355)	(251,492)

Appendix B – Summary of Budget Changes Proposed Since 11th December 2019 Budget/2019/24 MTFS Report to Cabinet

The following is an extract from the 2019/20 Budget/Medium Term Financial Strategy (MTFS) 2019/20-2023/24 report being presented to Cabinet on 12th February 2019. It highlights the measures taken to resolve the 2019/20 £6.5m budget deficit presented on December 11th 2018.

8 Budgeting Changes Since 11th December Cabinet

- 8.1 The Council is required to approve a balanced annual budget. The December Draft Budget that was approved for consultation had a deficit of £6.5m which still needed to be resolved. The Council has been working to develop further budget reduction measures to address this deficit. Table 8.1 provides a summary of all the budget measures identified over the MTFS period.

Table 8.1: Total Budget Reductions Since December 2018

£'000	2019/20	2020/21	2021/22	2022/23	2023/24
Service Improvements	1,450	(800)	-	-	-
Grant Changes	1,838	(1,401)	-	-	-
Technical Adjustments	3,234	443	720	(84)	39
Total	6,522	(1,758)	720	(84)	39

- 8.2 To further detail these changes since December, a summary of additional service related budget changes that have been developed since December are detailed by priority below.

Table 8.2: Service Budget Changes

Service Budget Changes (£'000)	2019/20	2020/21	2021/22	2022/23	2023/24
Priority Two - Reduction in Adults growth provision	1,000	(1,000)	-	-	-
Priority Three - Parking budget adjustment Yr1, Car Pound Savings Yr 2	(150)	200	-	-	-
Priority Four - Strategic Property Services - Savings & Income	500	-	-	-	-
Priority X - Growing Libraries Income	100	-	-	-	-
Total - Service Budget Changes	1,450	(800)	-	-	-

Appendix B – Summary of Budget Changes Proposed Since 11th December 2019 Budget/2019/24 MTFS Report to Cabinet

- 8.3 Following the provisional Local Government Finance Settlement (13th December 2018) which has now been confirmed by the Final Settlement announced on 29th January 2019, relevant funding assumptions have been updated to reflect the latest position. The below table sets out the changes to what was assumed in the 11th December Draft Budget/MTFS.

Table 8.3: Grant Changes

Grant Changes (£'000)	2019/20	2020/21	2021/22	2022/23	2023/24
Business Rates Top Up Adjustment	(512)	-	-	-	-
Housing Benefit/Council Tax Admin Subsidy	949	-	-	-	-
NHB Adjustment	141	(141)	-	-	-
Levy Surplus Payment	1,238	(1,238)	-	-	-
Lead Local Flood Authority Adjustment	22	(22)	-	-	-
Total - Grant Changes	1,838	(1,401)	-	-	-

- 8.4 A review of the application of a number of grants and income streams led to the identification of one off relief measures that when adopted provide mostly one off benefits in 2019/20. These are detailed below.

8.5 **Table 8.4: Technical Adjustment Related Budget Reductions Measures**

Technical Adjustments (£'000)	2019/20	2020/21	2021/22	2022/23	2023/24
Adjustment to council tax income (inc 0.25% increased collection rate)	878	(1,337)	909	(94)	(96)
Further Treasury & Borrowing Adjustments	532	271	(159)	10	135
Various	129	(535)	(30)	-	-
Amendments; Winter Pressure and Adults/Children's Social Care Grant - Budget Corrections	-	3,600	-	-	-
Flexible Use of Capital Receipts	556	(556)	-	-	-
Flexible Homelessness Support Grant application to offset Temp Accommodation risk	1,000	(1,000)	-	-	-
Changes due to National Non-Domestic Rate 1 form figures	139	-	-	-	-
Total - Technical Adjustments	3,234	443	720	(84)	39

Appendix B – Summary of Budget Changes Proposed Since 11th December 2019 Budget/2019/24 MTFS Report to Cabinet

Detail of Service Budget Changes

Priority 2 – (£1m) - it is now forecast that £1m of additional corporate funding forming part of the draft 2019/20 budget of December 11th 2018 for Adults services will not now be required. It should be noted that the 2019/20 budget still includes £7m of growth.

Priority 3 – (0.150m) – this amendment recognises that £0.150m of pre-agreed savings within Priority 3 had been duplicated in the new proposal figures submitted in the December 2018 cabinet report. The additional proposed saving in the car pound for 2020/21 has yet to be fully worked up into a detailed proposal and further details will be included as part of the 2019/20 scrutiny process

Priority 4 – (£0.5m) – the new budget reduction proposals in Priority 4 are all from Strategic property and focus on generating additional income. The detail is set out below:

From Strategic properties, we have additional savings as shown below:

• Additional income from advertising	£85k
• Hornsey Town hall Management cost	£149k
• Other fees & Charges	£16k
• Lease renewals	£150k
• Increase in rental income from Industrial estates	£100k
TOTAL	£500k

Priority X – (0.100m) – the new budget reduction proposal in Priority X proposes to grow the level of income generated from our Libraries estate as part of a developing libraries strategy an element of which will be focussed on income generation through utilization of underused spaces

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