

**Report for:** Full Council 25<sup>th</sup> February 2019

**Item number:**

**Title:** 2019/20 Budget and Medium Term Financial Strategy (2019/24)

**Report authorised by:** Jon Warlow – Director of Finance – (Chief Finance Officer and Section 151 Officer)

**Lead Officer:** Oladapo Shonola – Lead Officer, Budget & MTFS Programmes;  
Frances Palopoli – Head of Corporate Financial Strategy & Monitoring

**Ward(s) affected:** ALL

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

**1. Describe the issue under consideration**

- 1.1. Cabinet considered the 2019/20 Budget and Medium Term Financial Strategy (MTFS) 2019/24 report at their meeting held on 12<sup>th</sup> February 2019 (the report has been amended to include agreed addendum to that report) and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2019/20 by Full Council in accordance with the Council's constitution.
- 1.2. The council tax and savings proposals remain unchanged from those in the Cabinet report.

**2. Cabinet Member Introduction**

- 2.1. My comments on the 2019/20 budget which can be found in the Cabinet report attached at Annex 1 remain unchanged.

### 3. Recommendations

#### 3.1. Council are asked:

- (a) To approve the proposed 2019/20 Budget and Medium Term Financial Strategy (2019/24) agreed by Cabinet on 12<sup>th</sup> February 2019;
- (b) To approve the increase of 2.99% in Haringey's element of the Council tax;
- (c) To approve the General Fund budget requirement for 2019/20 of £241.182m, net of Dedicated Schools Budget, as set out in table 6.1 and Appendix 6 of Annex 1 to this report;
- (d) To approve the Cash Limit for 2019/20 of £241.182m as set out in Annex 2;
- (e) To approve the 2019/24 General Fund capital programme set out in Appendix 3 of Annex 1 to this report;
- (f) To approve the policy on the flexible use of capital receipts as set out in section 15 and Appendix 11 of Annex 1 to this report;
- (g) To approve the Housing Revenue Account (HRA) Budget 2019/20 as set out in Appendix 2 of Annex 1 to this report;
- (h) To approve the 2019/24 HRA capital programme set out in Appendix 4 of Annex 1 to this report;
- (i) To note the Greater London Authority (GLA) proposed precept (para. 7.5);
- (j) To delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, 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;
- (k) To approve the budgeted level of non-earmarked General Fund balance and the specific and other reserves as set out in Annex 3b;
- (l) To approve the reserves policy including the Chief Finance Officer's (CFO) assessment of risk and the assessment of the adequacy of reserves, as set out in Annex 3 (a – c);
- (m) 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;
- (n) To approve the Treasury Management Strategy Statement 2019/20 set out in Annex 4; and
- (o) 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 previous Corporate Plan and Medium Term Financial Strategy (MTFS) covering the period 2015-18 in February 2015. A new Borough Plan (2019-2023) and MTFS (2019/24) are on the agenda for this meeting. The new Borough Plan sets out the Council's priorities and the MTFS outlines the overall financial strategy for those priorities.
- 4.2. The February 2018 MTFS projected a funding gap as a result of reductions to the Council's funding from central government. It was projected that recurring savings of £25m would be required to mitigate the shortfall in the MTFS and in order to deliver a balanced budget position.
- 4.3. This final MTFS (2019/24) projects a budget gap of between £13.1m and £20.5m if all new budget reductions included in the MTFS are delivered and no new pressures identified. The Council will need to continue to find major budget reduction measures in future years in order to balance the budget/MTFS as set out in section 9.
- 4.4. Following the publication, on 13<sup>th</sup> December 2018, of the Provisional Local Government Finance settlement, Cabinet reviewed the impact of the settlement on the 2019/20 budget set out in the MTFS. The final settlement, which was mostly in line with the provisional settlement, was announced on 29<sup>th</sup> January and the implications of the final settlement were included in the report considered by Cabinet on 12<sup>th</sup> February 2019. That report included Cabinet's response to feedback from the consultation and the views of Overview and Scrutiny Committee.
- 4.5. The report and recommendations from the Cabinet meeting on 12<sup>th</sup> February 2019, which were agreed in full, including the approved amendment to the report, are attached as Annex 1.
- 4.6. Taking all relevant factors into account, including the outcomes from statutory consultation with residents, business rate payers and the recommendations from the Overview and Scrutiny committee meetings held on 28<sup>th</sup> January 2019 and 5<sup>th</sup> February 2019, this report sets out Cabinet's Budget proposals including proposals for the level of Council tax for the Council 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 approve the proposed 2019/20 Budget and Medium Term Financial Strategy (2019/24) agreed by Cabinet on 12<sup>th</sup> February 2019, including the outcomes from the budget consultation exercise, which is attached as Annex 1 and approve the Council tax for 2019/20. Accordingly no other options have been considered.

## 6. Background information

- 6.1. On 12<sup>th</sup> February 2019 Cabinet agreed a proposed Budget and MTFs for submission to this meeting of the Council, including: a General Fund revenue budget for 2019/20 of £241.182m; an additional budget of £256.326m in respect of the Dedicated Schools Budget; the Housing Revenue Account (HRA) revenue budget; and the 2019/24 Capital Programmes for both the General Fund and HRA. Cabinet agreement to these proposals was subject to the decisions of levying and precepting authorities.
- 6.2. The Cabinet report of 12<sup>th</sup> February 2019 (attached as Annex 1 to this report), and the proposed Budget/MTFS recommended to Full Council by Cabinet are the subjects of discussion at this meeting.
- 6.3. This report addresses:
  - The final local government finance settlement 2019/20;
  - Flexible use of capital receipts policy;
  - 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 2019/20.
- 6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2019/20.

## 7. Key Developments and Updates

### Levying Bodies

- 7.1. The Board of the North London Waste Authority (NLWA) met on 7<sup>th</sup> February 2019 and agreed an overall levy of £53.2m for 2019/20; which is a 9.63% increase over the 2018/19 position. The Budget report to Cabinet assumed a waste levy of £8.3m based on projections at the time. The final levy on Haringey approved by the NLWA Board for 2019/20 is £8m, which is £0.3m less than the amount assumed in the Budget report to Cabinet. It is proposed that this amount is held as corporate contingency to address in-year pressures. As both the change in the levy and corporate contingency are within corporate cost budget, no further action is required on this.
- 7.2. The 2019/20 waste levy (£8m) is significantly higher than the 2018/19 levy of £5.76m. This is because the Council had a one-off credit adjustment to its 2018/19 levy amount due to fewer tonnes of waste being delivered to NLWA waste processing centres than was original budgeted in prior years. The 2019/20 levy returns the Council to a non-adjusted levy amount that reflects the annual cost of waste disposal.

- 7.3. The below table provides a summary of levy charges to Haringey Council to in 2018/19 and 2019/20.

Table 7.1: Summary of 2018/19 and 2019/20 Levies

Organisation/Levying Body	Amount Paid	Amount Due
	2018/19 £'000	2019/20 £'000
Environment Agency	174	176
Lee Valley Regional Park Authority	186	184
London Borough Grants Scheme	211	205
London Pensions Fund Authority	270	265
North London Waste Authority	5,755	8,020
<b>Total Paid/ Due</b>	<b>6,597</b>	<b>8,849</b>

#### The Greater London Authority Precept

- 7.4. The Mayor's final draft budget proposals for the 2019/20 consolidated budget are scheduled to be published on Thursday 15<sup>th</sup> February 2019 and will be considered by the London Assembly on Thursday 25<sup>th</sup> February 2019. The current draft proposals indicate a proposed increase of £26.28 (8.9%) to £320.51 (Band D). The significant increase in the precept is due to the government permitting a £24 maximum increase in the policing element of the GLA precept to help combat the rise in violent crime. This equates to an 11% increase – a 2.99% increase is proposed for non policing element of the GLA precept.
- 7.5. It is possible that the proposed increase in the precept may change before the final Budget is approved – including the possibility of a change at the GLA meeting on the 25<sup>th</sup> February 2019. Therefore, 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.
- 7.6. 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 and give delegated authority to the Council's CFO in consultation with the Lead Member for Finance to implement the final GLA Council tax precept in the Council's billing information.
- 7.7. In the unlikely event that the GLA finally resolve a Council tax precept at a level requiring them to undertake a referendum (i.e. a 3% or greater increase in the non-policing element of the GLA precept and an increase greater than £24 of

the policing element of the GLA precept which equates to a total increase of £26.28 or greater), a further report considering the implications of this on the Council would need to be considered.

## **8. Considerations in setting the Council tax**

- 8.1. The Localism Act 2011 gave electors the right to veto excessive Council tax rises. Councils that set 'excessive' council tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 8.2. The Government 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 2019/20, 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.
- 8.3. It has been confirmed by the Government that for 2019/20, an increase is excessive if an authority's relevant basic amount of Council tax for 2019/20 is greater than 5.99% (comprising 3% for expenditure on adult social care and 2.99% for other expenditure) than its relevant basic amount of Council tax for 2018/19. Haringey, however, has already raised the permitted 6% ASC precept in the first two years (2017/18 and 2018/19) of the period set by government, so there is no scope for a further increase in that element in 2019/20. In total therefore the Council could approve an increase in its relevant basic amount of Council Tax for 2019/20 up to 2.99% without triggering a referendum.
- 8.4. The basis of the Cabinet's budget proposals is for an increase of 2.99% 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).
- 8.5. The projected income from Council tax in 2019/20 is £101.981m based on 77,265 Band D equivalent dwellings (the Tax Base) a collection rate of 96.5% (96.25% in 2018/19), and the proposed Band D Council tax rate of £1,319.89. The 2018/19 Council Tax Base was 77,093 Band D equivalent dwellings.
- 8.6. These proposals result in total available funding (the 'Budget Requirement') for 2019/20 of £241.182m, as set out in recommendation 3.1(c), above.

## **9. Statements of the Designated Chief Finance Officer**

- 9.1. The importance of local authority financial resilience has taken up greater significance following a prolonged period of austerity. As a direct response to this, CIPFA developed a financial resilience index in 2018 which is a tool to support Chief Finance Officers in carrying out their statutory role but also provides an independent view for the local leadership on the overall financial

resilience of their Council and the proximity of their authority to its financial limits.

- 9.2. For 2019/20, it is not yet a requirement to refer to this index, however, it is recommended that councils refer to these indicators to support the Chief Finance Officer's s25 statement. The underlying data used for the index is necessarily based on publicly available data and is therefore historic in nature but does illustrate trend. The current index covers the period 2014/15 – 2017/18.
- 9.3. Haringey's 2017/18 position compared to other London Boroughs is shown in annex 3d along with further description and interpretation for each of the indicators and their relationship to risk.
- 9.4. As this is a new analysis led by CIPFA, further work needs to be done to integrate it into our strategic financial assessments. However, two of the key messages to note are that:
  - In terms of the unallocated General Fund (GF) reserve, the Council has been able to stabilise this at £15.5m since the end of 2017/18 and the current budget assumption is that this will remain untouched at 31/3/2019. This will leave this risk indicator relatively unchanged for the Council.
  - The GF earmarked reserves have seen a reduction since the end of 2017/18. This has been in response to planned use such as to fund the Council's transformation agenda however, in the round it does increase the overall risk status of the Council and will have the effect of moving to a higher risk status for reserves depletion over time; level of reserves; change in reserves and change in earmarked reserves.

#### Robustness of the budget process

- 9.5. 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.
- 9.6. To meet the scale of the financial challenge facing the Council, the Council refreshes its five year MTFs on an annual basis to ensure that assumptions, especially those around budget reductions are reviewed and updated as necessary.
- 9.7. The government continued its programme of public spending reductions, originally set out in its Spending Review (SR) of 2010 through SR 2015. The consequence of this and local decision making on council tax has resulted in reduction on core spending power (this includes core government, council tax and business rates) of £122m (59%) between 2010 and 2019. This has put the Council in significant financial duress and the Council is yet to establish how it will operate sustainably within its future resource level.
- 9.8. One of the key risks the Council faces is the level of future business rates income. Although being part of the 75% London Business Rates Retention Scheme (BRRS) pool is forecast to be beneficial to the Council in 2019/20, volatility in this sector along with uncertainty about the future operation of the

scheme from April 2020 carries with it a degree of risk and uncertainty for the authority which have been recognised in the MTFs. The maintenance of General Fund balances and the prudence in recognising any additional BRRS revenues mitigate this budget risk.

- 9.9. Another key, but unquantifiable risks, facing the Borough for 2019/20 and potentially across the whole MTFs period is the on-going uncertainty over Brexit and the implications of whatever arrangement is finally put in place. The Council is actively assessing and planning as to how it might need to respond to the consequences. The Government has recently announced a grant of £210k to the Council over two years, the actual direct and indirect costs associated with dealing with the ramifications will almost certainly be higher. This adds weight to the recommendation to maintain the budget resilience reserve at £7.2m but also underlines further the importance of the Council remaining within the 2019/20 agreed budget and deliver agreed savings.
- 9.10. To de-risk the 2019/20 budget, officers undertook a robust challenge of all 2018/19 savings plans and pre-agreed savings for future years. This work led to Cabinet approving the write off of £9.8m of these in December 2018. While this has meant that the ongoing structural gap has not significantly changed, there is greater confidence in the overall deliverability of the proposals now being taken forward.
- 9.11. The planning work for the 2019/20 Budget and MTFs (2019/24) started early in recognition of the existing structural funding gap in the previous MTFs. This work has produced £7.1m of new budget reduction proposals for 2019/20 rising to £13m in 2024.
- 9.12. The budget proposals have been subject to detailed scrutiny and the Cabinet has also undertaken consultation with residents and businesses. Officers at every level of the organisation have been engaged in the budget setting process with ideas feeding up through the organisation and developed into the final proposals that are presented in this report.
- 9.13. This approach to 2019/20 does provide greater confidence of managing within the agreed budget, however the size of savings to be achieved alongside business as usual activity, still retains a delivery risk and the budget proposals for 2019/20 maintains the Budget Resilience Reserve at £7.2m across the whole of the MTFs period to be used to mitigate any in-year overspend/delay in implementation of planned savings.
- 9.14. Alongside this work, attention was given to the Adults and Children's services as demand pressures have meant that in the current year, both budgets continue to overspend and both services, particularly children, have found it difficult to deliver some of the savings committed to in the previous MTFs as years of budget reductions have meant savings are increasingly difficult to identify and deliver, particularly alongside responding to increasing demand. The 2019/20 budget process has acknowledged these factors and, when including new grants, additional council funding and write off of some previous savings proposals, builds in additional funding to these two key service areas with £7m for Adults and £7.6m for Children's before application of the newly proposed budget reduction proposals.



- 9.15. A focus on greater engagement with responsible officers encourages ownership of the agreed 2019/20 budgets and budget reduction proposals. Further work is taking place to fundamentally re-align the detailed budget allocations within certain priority budget areas to ensure that budget and delivery plans are aligned.
- 9.16. The budget process will continue to be supported by a regular cycle of Budget Management and reviews. From 2018/19, this has been further strengthened by the establishment of a monthly budget delivery board chaired by the Cabinet member for finance. The Council's Risk Management process also underpins all of these activities.
- 9.17. It is recognised that the Council's planned delivery of its savings programmes over recent years has been below projection. The new service budget reductions proposed in this Budget/ MTFs are considered to be deliverable however in order for these to be achieved, management of this programme will be strengthened. Despite this, there will inevitably be some plans that are not deliverable in full (or indeed possibly at all) due to changing circumstances. While this budget provides a level of financial capacity for dealing with such circumstances, it is important that the Council also looks to find alternative solutions (in year mitigations) as and when savings issues or base budget pressures arise. Similarly, it is important that the Council makes progress on both designing and, where possible, implementing the measures needed to address its future year's structural funding gap at the earliest point.
- 9.18. We are therefore presently considering how the Council's current budget setting and periodic corporate monitoring processes might be developed to support a "live budgeting" type of approach. This will help risk manage the in year budget delivery position and allow us to get the best start for the forthcoming year, and potentially enable better decision making. This will be subject to later clarification and potentially proposals for changes to the Council's budgeting approach.
- 9.19. The table below confirms the total savings agreed for 2019/20 and for each of the remaining years of the MTFs. While the Council has identified new budget reductions of £13m across the MTFs period bringing total agreed budget reductions to £30m, there is still a major underlying recurrent budget deficit of £20.5m across the MTFs period, £13.2m of which will need to be found in 2020/21.
- 9.20. In summary, the Council is required to deliver £50m of budget reduction before 2023/24 which equates to a 20% reduction in net budget which will be achieved by both budget reductions and increasing sources of funding. This represents a fundamental challenge to the Council.

**Table 9.1: Summary of Agreed/Unidentified MTFs Reductions**

	2019/20 Pre- Agreed Savings £'000	2019/20 (New) MTFS Savings £'000	2019/20 Total Savings £'000	2020-21 Total Savings £'000	2021-22 Total Savings £'000	2022-23 Total Savings £'000	2023/24 Total Savings £'000	Total Savings (All Years) £'000
Priority 1 - Children Services	0	1,602	1,602	401	90	0	0	2,093
Priority 2 - Adults Services	2,390	2,000	4,390	4,039	3,185	3,270	100	14,984
Priority 3 - Environment & Neighbourhood Services	150	1,665	1,815	1,565	600	70	70	4,120
Priority 4 - Regeneration & Growth	0	910	910	15	0	0	0	925
Priority 5 - Housing Services	120	1,070	1,190	708	573	0	0	2,471
Priority X - Corporate Services	2,650	419	3,069	1,505	25	6	6	4,611
Council Wide	750	0	750	0	0	0	0	750
<b>Total Agreed Savings</b>	<b>6,060</b>	<b>7,666</b>	<b>13,726</b>	<b>8,233</b>	<b>4,473</b>	<b>3,346</b>	<b>176</b>	<b>29,954</b>
Unidentified Savings	0	0	0	13,171	811	4,112	2,375	20,469
<b>Total Savings Requirement</b>	<b>6,060</b>	<b>7,666</b>	<b>13,726</b>	<b>21,404</b>	<b>5,284</b>	<b>7,458</b>	<b>2,551</b>	<b>50,423</b>

- 9.21. At the end of Quarter 3 2018/19, the budget monitoring position indicates a year end deficit of £9.1m. The corporate financial forecast is that, while all services will fully address their overspend before year end, other largely corporate financial development will prevent the need for utilisation of the General Fund. Therefore, this balance will be maintained at £15.5m for 2019/20.
- 9.22. 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 2019/20 Budget.
- 9.23. It is, however, imperative that the Cabinet and Council continue to pursue the delivery of budget reductions that have been included in the MTFs and set out in this report.

#### Adequacy of Reserves

- 9.24. 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.
- 9.25. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 9.26. 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 3b also shows the projected movement on the reserves over the financial planning period 2018/19. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.
- 9.27. It is projected that the Council will have un-earmarked General Fund balance of £15.5m at 31st March 2019. The final position will be dependent however on the Council's 2018/19 financial outturn to be reported to Cabinet in June 2019.
- 9.28. 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 £20m, 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.
- 9.29. No change to the Council's Reserves Policy is recommended.

#### Treasury Management

- 9.30. The Treasury Management Strategy Statement (TMSS) for 2019/20 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 5<sup>th</sup> February 2019 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.
- 9.31. The Council's Overview and Scrutiny Committee also considered the TMSS on 28<sup>th</sup> January 2019 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.
- 9.32. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 12<sup>th</sup> February 2019. 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.

### **10. Summary and Conclusions**

- 10.1. This report finalises the Budget process and proposes that Council Tax is increased by 2.99% and nil increase in relation to Adult Social Care precept.
- 10.2. The level of financial reserves is also reported and those levels are considered to be adequate.
- 10.3. The Council is required to determine whether its increase in Council Tax for 2019/20 is 'excessive' and, if so, would trigger a referendum. The proposal in this report is not an "excessive" increase.

- 10.4. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.
  - 10.5. The Medium Term Financial Strategy 2018-2024 recognises the key drivers and risks arising from funding constraints 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 budget reductions, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its resources.
- 11. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**
- 11.1. 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**

- 11.2. 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.
- 11.3. 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 12th February 2019. It has been confirmed that the Leader of the Council has been notified and has considered these changes.
- 11.4. 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.
- 11.5. 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.
- 11.6. 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.
- 11.7. 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.

- 11.8. 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 2019/20 that for 2019/20 an increase is excessive if the authority's relevant basic amount of Council tax for 2019/20 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure), or more than 5.99%, greater than its relevant basic amount of Council tax for 2018-19. 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 6% 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.
- 11.9. 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**

- 11.10. Equality comments are included in the report to Cabinet dated 12<sup>th</sup> February 2019, attached as Annex 1.

## **12. Use of Appendices**

Annex 1 – Cabinet report of 12<sup>th</sup> February 2019 including Appendices 1 - 12.

Annex 2 – Cash Limits analysed at Priority Level

Annex 3 – Reserves

3a: Reserves Policy

3b: Reserves and their adequacy

3c: Risk evaluation

3d: Financial Resilience Indicators

Annex 4 – The Treasury Management Strategy Statement

Annex 5 – The Formal Budget Resolution

### **13. Local Government (Access to Information) Act 1985**

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

- Final Local Government Finance Settlement 2019/20.
- NLWA Budget Proposals report published 30<sup>th</sup> January (for 7<sup>th</sup> February meeting) 2019.
- GLA Budget proposals report published 15<sup>th</sup> February (for 25<sup>th</sup> February meeting) 2019.

For access to the background papers or any further information please contact  
Oladapo Shonola – Lead Officer, Budget & MTFS Programmes on 0208 489 3726;  
Frances Palopoli – Head of Corporate Financial Strategy & Monitoring, 3896