

**Report for:** Full Council 24<sup>th</sup> February 2020

**Item number:**

**Title:** 2020/21 Budget and Medium-Term Financial Strategy (2020/25)

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

**Lead Officer:** 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 2020/21 Budget and Medium Term Financial Strategy (MTFS) 2020/25 report at their meeting held on 11<sup>th</sup> February 2020 and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2020/21 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 2020/21 budget which can be found in the Cabinet report of 11 February 2020 attached at Annex 1 remain unchanged.

### 3. Recommendations

#### 3.1. Council are asked:

- (a) To approve the proposed 2020/21 Budget and Medium-Term Financial Strategy (2020/25) agreed by Cabinet on 11<sup>th</sup> February 2020 as set out in Annex 1;
- (b) To approve the increase of 1.99% in Haringey's element of the Council tax and an additional 2% for the Adult Social Care Precept;
- (c) To approve the General Fund budget requirement for 2020/21 of £242.292m, net of Dedicated Schools Budget, as set out in Annex 2 and Appendix 1 of Annex 1 to this report;
- (d) To approve the Cash Limit for 2020/21 of £242.292m as set out in Annex 2;
- (e) To approve the 2020/25 General Fund Capital Programme set out in Appendix 4 of Annex 1 to this report;
- (f) To approve the strategy on the flexible use of capital receipts as set out in and Appendix 6 of Annex 1 to this report;
- (g) To approve the Housing Revenue Account (HRA) Budget 2020/21 as set out in Table 9.3 of Annex 1 to this report;
- (h) To approve the 2020/25 HRA Capital Programme set out in Appendix 7 of Annex 1 to this report;
- (i) To note the Greater London Authority (GLA) proposed precept (para. 7.4);
- (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 2020/21 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.
- (p) To note the results of consultation as set out in Appendix 10 of Annex 1.

#### **4. Reasons for decision**

- 4.1. The Council approved the Borough Plan (2019-2023) in February 2019. This document sets out the Council's priorities and the MTFs outlines the overall financial strategy for delivering those priorities.
- 4.2. The February 2019 MTFs projected a funding gap as a result of reductions to the Council's funding from central government. It was projected that additional, as yet unidentified, recurring savings of £20.1m would be required to mitigate the shortfall in the MTFs and in order to deliver a balanced budget position.
- 4.3. This final MTFs (2020/25) now proposed projects further unidentified savings of £15.5m across the period if all budget reductions included in the MTFs are delivered and no new pressures identified. The Council will therefore 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 20<sup>th</sup> December 2019, of the Provisional Local Government Finance settlement, Cabinet reviewed the impact on the 2020/21 budget set out in the MTFs. The Final Settlement was due to be ratified by Parliament on 12<sup>th</sup> February, but that has been deferred and it has been advised that it is now expected to be ratified after the Parliamentary recess. However, the Ministerial Statement that has been issued states that there will be no changes impacting on Haringey's figures so no adjustments to the Budget or MTFs will be required. The 11<sup>th</sup> February report included Cabinet's response to feedback from the Budget consultation, the views of Overview and Scrutiny Committee and also the outcome of the overall equalities assessment.
- 4.5. Taking all relevant factors into account, including the overall equalities assessment, the outcomes from consultation with residents and business rate payers and the recommendations from the Overview and Scrutiny committee meeting held on 23<sup>rd</sup> January 2020, this report sets out Cabinet's 2020/21 Budget and 2020/25 MTFs proposals, including the level of Council tax for 2020/21, for the Council to consider and approve.
- 4.6. The report and recommendations from the Cabinet meeting on 11<sup>th</sup> February 2020, were agreed in full and are attached as Annex 1.

#### **5. Alternative options considered**

- 5.1. The Council has a statutory requirement to set a balanced budget for 2020/21. Therefore, in accordance with legislation and the Council's constitution, this report recommends that the Council should approve the proposed 2020/21 Budget and Medium Term Financial Strategy (2020/25) agreed by Cabinet on 11<sup>th</sup> February 2020, including the outcomes from the budget consultation exercise, budget scrutiny and equalities review, which is attached as Annex 1 and approve the Council tax for 2020/21. Accordingly, no other options have been considered.

## 6. Background information

- 6.1. On 11<sup>th</sup> February 2020 Cabinet agreed a proposed 2020/21 Budget and MTFS 2020/25 for submission to this meeting of the Council, including: a General Fund revenue budget for 2020/21 of £242.292m; the Dedicated Schools Budget; the Housing Revenue Account (HRA) revenue budget; and the 2020/25 Capital Programmes for both the General Fund and HRA. Cabinet agreement to these proposals was subject to the decisions of levying and precepting authorities, not available at that time.
- 6.2. The Cabinet report of 11<sup>th</sup> February 2020 (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 also addresses:
  - The final local government finance settlement 2020/21;
  - 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 2020/21.
- 6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2020/21.

## 7. Key Developments and Updates

### Levying Bodies

- 7.1. The Board of the North London Waste Authority (NLWA) met on 13 February 2020 and agreed an overall levy of £55.2m for 2020/21; which is a 3.85% increase over the 2019/20 position. The Budget report to Cabinet assumed a waste levy for Haringey of £8.5m based on projections at the time. The final levy on Haringey approved by the NLWA Board for 2020/21 is £8.0m, which is £0.5m less than the amount assumed in the Budget report to Cabinet. Under the delegation made in recommendation 3.20 of the Cabinet Report of the 11<sup>th</sup> of February, the Director of Finance has transferred this amount (£0.5m) to a reserve to be utilised in a future year(s) when the additional charges associated with the new facility start to come through. The MTFS has built in an element of growth from 2021/22 to address the expected increase in levy however, this is based on estimates and the reserve will provide resilience and can be used to help smooth any under projection until the project completes. This transfer would be enacted in year and would not require any further budget adjustments.
- 7.2. The levies payable to all other bodies have remained stable and can be accommodated within the current proposed budget.

- 7.3. The below table provides a summary of levy charges to Haringey Council in 2019/20 and 2020/21.

Table 7.1: Summary of 2019/20 and 2020/21 Levies

<b>Contributions to Other Organisations</b>	<b>Amount Due 2019/20 £'000</b>	<b>Amount Due 2020/21 £'000</b>
Environment Agency*	176	176
Lee Valley Regional Park Authority*	184	184
London Borough Grants Scheme	205	203
London Pensions Fund Authority*	265	265
North London Waste Authority (NLWA)	8,020	8,007
<b>Total Paid/ Due</b>	<b>8,849</b>	<b>8,834</b>

\*Figures are estimated as still awaiting confirmation from Levying Bodies.

#### The Greater London Authority Precept

- 7.4. The Mayor's final draft budget proposals for the 2020/21 consolidated budget are scheduled to be published on Friday 14th February 2020 and will be considered by the London Assembly on Monday 24th February 2020. The current draft proposals indicate an increase of £11.56 (3.6%) to £332.07 (Band D) (comprising an additional £10 for the Metropolitan police and £2.28 extra for the London Fire Brigade offset by a combined £0.72 reduction in the Band D precepts for the GLA and Transport for London). This currently conforms to the council tax referendum principles relevant for 2020-21 for the Greater London Authority.
- 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 24<sup>th</sup> February 2020. 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 Council Tax 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 2% or greater increase in its unadjusted relevant basic amount of council tax; or if the adjusted relevant basic amount is more than £11.56), 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. In the Spending Round 2019 (SR19) the Government announced that those authorities with Adult Social Care functions could implement a further Adult Social Care (ASC) precept for 2020/21; this is on top of the previous legislation which allowed up to 2% in 2016/17 and a maximum of 6% between 2017/18 and 2019/20. Haringey applied the full 8% between 2016/17 and 2018/19. This ASC precept must be allocated entirely towards Adults Social Care costs 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 2020/21, an increase is excessive if an authority's relevant basic amount of Council tax for 2020/21 is greater than 3.99% (comprising 2% for expenditure on adult social care and 1.99% for other expenditure) than its relevant basic amount of Council tax for 2019/20. The Budget now proposed assumes that both elements will be charged to residents i.e. a 1.99% increase in basic Council Tax and a 2% increase in the Adult Social Care element. These proposals are below the levels that would trigger a referendum.
- 8.4. 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 2020/21 is £107.80m based on 78,543 Band D equivalent dwellings (the Tax Base) (77,265 in 2019/20) a collection rate of 96.5% (96.5% in 2019/20) and the proposed Band D Council tax rate of £1,372.56 (£1,319.89 in 2019/20).
- 8.6. These proposals result in total available funding (the 'Budget Requirement') for 2020/21 of £242.292m, 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.
- 9.2. The CIPFA Financial Resilience Index is a useful tool that can aid the Council in identifying pressure points via a number of indicators. CIPFA has been developing this index since 2018 and it can support Chief Finance Officers in carrying out their statutory role, particularly in relation to Section 25 of the Local Government Act 2003, as well as providing 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.
- 9.3. It is recommended by CIPFA that councils refer to these indicators to support the Chief Finance Officer's S25 statement and this is the second year that Haringey has referred to this document. The underlying data used for the index is necessarily based on publicly available data and is therefore historic in nature but does illustrate trends. The current index covers the period 2015/16 – 2018/19.

- 9.4. Haringey's 2018/19 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.
- 9.5. The key messages to note are that:
- The highest risk highlighted by the model is the high percentage of Social Care Spend out of Total Net Service Expenditure. This is likely to continue in future years as well due to increased service growth pressures.
  - Haringey's level of reserves is assessed as a medium-high risk compared to other London Boroughs. The unearmarked General Fund reserve has remained at a constant level and this trend is expected to continue.

#### Robustness of the budget process

- 9.6. 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.
- 9.7. 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.
- 9.8. The Government's programme of public spending reductions has been in existence since 2010 through both Spending Reviews (SR) of 2010 and SR 2015. The consequence of this, allied with local decision making on council tax has resulted in reductions to core spending power (this includes core government, council tax and business rates) of £124m (62%) between 2010 and 2019. This has put the Council under significant financial duress.
- 9.9. The Spending Round 2019 (SR19) announced in September 2019 is the first time since 2010 that Local Government will see an increase in funding with access to an additional £3.5bn nationally as quoted by the Chancellor, with Core Spending Power estimated to increase by 6.2% nationally. The Queen's Speech delivered on 19<sup>th</sup> December 2019 announced that the £1bn additional Social Care funding included in SR19 is committed for each year of the Parliament.
- 9.10. These announcements were welcomed and have enabled the Council to progress key policy commitments particularly those within the Adults social care arena. Furthermore, on the back of the SR19 and Queen's Speech, the MTFS 2020/25 now assumes that similar levels of funding will be available across the whole period.
- 9.11. This approach is certainly not without risk. The first Budget of the new Government is planned for 11<sup>th</sup> March and this could include announcements which negatively impact on our assumptions. Furthermore, the Government is committed to progressing the expected reform of the Business Rates system and it is expected that the Fair Funding Review will conclude. The latter, in particular, could have significant ramifications for the distribution methodology used to allocate out government funding to the various authorities. Therefore,

even if national funding to Local Government remains at 2020/21 levels or improves, the actual sum received by Haringey could be less.

- 9.12. Another key, but unquantifiable risk, facing the Borough for 2020/21 and potentially across the whole MTFs period is the on-going uncertainty over the impact of delivering Brexit and the implications of whatever arrangements are finally put in place. The Council has actively sought to assess potential scenarios and how these might be addressed however, at this stage it isn't possible to accurately factor in the impact.
- 9.13. In the light of these considerable uncertainties, largely outside the Council's direct control, further weight is given to the Cabinet's recommendation (Annex 1) to maintain both the budget resilience contingency at £7.2m for 2020/21 as well as a resilience reserve and also the maintenance of the General Fund balance at c. £15.5m across the MTFs period. It also further underlines the importance of the Council remaining within the 2020/21 agreed budget and the delivery of agreed savings.
- 9.14. The planning work for the 2020/21 Budget and MTFs (2020/25) started early in recognition of the existing structural funding gap in the previous MTFs. The Council also took the opportunity to make some key budgetary decisions in year as part of the Live Budgeting approach. The budget setting process also took account of the key in year budget pressures and ensured that these were factored into the eventual Budget for 2020/21. This work has produced £7.1m of new budget reduction proposals for 2020/21 (£1.6m approved in July 2019 and £5.5m approved in February 2020). When added to the reductions already agreed (£7.4m) a total of £14.6m will need to be delivered next year.
- 9.15. 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. The budget proposals have been subject to detailed scrutiny and the Cabinet has also undertaken consultation with residents and businesses.
- 9.16. This approach, which has built on the groundwork put in place last year 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 2020/21 maintains the Budget Resilience contingency across the whole of the MTFs period to be used to mitigate any in-year overspend/delay in implementation of planned savings.
- 9.17. Alongside this work, attention was again given to the frontline services; Adults and Children's in particular. Although the 2019/20 budget acknowledged and sought to address budget deficiencies in these two service areas, Adults, in particular, has continued to experience demographic/inflationary growth. This is evidenced as being the single biggest contributor to the council's forecast 2019/20 £5.7m overspend. The 2020/21 Budget process has built in growth to address this along with the future forecast growth needs. It has also been able to provide the required funds to enable London Living Wage (LLW) to Council contracted Homecare staff and also those working in Extra Care sheltered Housing; additionally, an uplift has been applied to Social Care direct payments to individuals in line with LLW rates. Review of the Children's service



has not highlighted the same demographic growth pressures for 2020/21 however, competition across London for care placements is keen and the Service are highlighting a potential pressure around children with particularly complex needs. The MTFs assumes inflationary growth from 2021/22 for Children's but the expectation is that for next year costs can be contained. If this proves not to be the case, the Council will have access to the resilience funding set aside for this purpose.

- 9.18. The budget process will continue to be supported by a regular cycle of Budget Management and reviews. The Council's Risk Management process also underpins all these activities.
- 9.19. The Council's planned delivery of its savings programme during 2019/20 has improved compared to recent years. 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 need to remain focussed. Even with this attention, there will inevitably be some plans that are not deliverable in full (or indeed possibly at all) due to changing circumstances.
- 9.20. The introduction of a "live budgeting" approach during 2019/20 has been beneficial as it has allowed the Council to address financial pressures and opportunities at an earlier stage rather than waiting to be picked up as part of an annual process.
- 9.21. Table 9.1 below confirms the total savings agreed by Cabinet for 2020/21 and for each of the remaining years of the MTFs. While the Council has identified new budget reductions of £10.4m (Appendix 3 of Annex 1 to this report) across the MTFs period bringing total agreed budget reductions to £28.4m, there are still unidentified savings of £15.6m across the MTFs period, £1.9m of which will need to be found in 2021/22.

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

Priority	2020/21 Pre-Agreed Savings	2020/21 New Savings	2020/21 Total Savings	Total Savings				
				2021/22 Total Savings	2022/23 Total Savings	2023/24 Total Savings	2024/25 Total Savings	Total Savings
				£000	£000	£000	£000	£000
Housing	1,108	68	1,176	709	136	136	136	2,293
People - Adults	4,039	1,034	5,073	3,245	3,270	(376)	0	11,212
People - Children	2,036	225	2,261	909	419	100	200	3,889
Place	1,012	2,002	3,014	2,067	1,059	70	0	6,210
Economy	15	815	830	120	130	120	0	1,200
Your Council	918	1,370	2,288	542	790	6	0	3,626
<b>Total Savings</b>	<b>9,128</b>	<b>5,514</b>	<b>14,642</b>	<b>7,592</b>	<b>5,804</b>	<b>56</b>	<b>336</b>	<b>28,430</b>
Unidentified Savings			0	1,954	3,178	6,684	3,743	15,560
<b>Total Savings Requirement</b>			<b>14,642</b>	<b>9,546</b>	<b>8,982</b>	<b>6,740</b>	<b>4,079</b>	<b>43,990</b>

- 9.22. In summary, the Council is required to deliver £44m of budget reductions before 2024/25 which equates to a 18% reduction to the 2020/21 net budget which is expected to be achieved by both budget reductions and increasing sources of income. This represents a fundamental challenge to the Council.

- 9.23. At the end of Quarter 3 for 2019/20, the draft budget monitoring position indicates a year end deficit of circa £5.7m. The corporate financial forecast is that, while all services will continue to fully address their overspend before year end, it is expected that corporate financial solutions will prevent the need for the utilisation of the General Fund. Therefore, this balance will be maintained at £15.8m for 2020/21.
- 9.24. The Chief Financial Officer is satisfied that the estimates underpinning the Cabinet's proposals for the 2020/21 Budget are robust.

#### Future Developments

- 9.25. CIPFA has recently introduced 'The Financial Management code' (FM Code). This is a new code and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code was developed as a direct result of the tightening fiscal landscape which has placed the finances of local authorities under intense pressure.
- 9.26. The FM Code is particularly relevant to budget setting and overall financial planning as one of the objectives of the FM Code is to support organisations to demonstrate that they have the leadership, capacity and knowledge to be able to plan effectively.
- 9.27. While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance. Haringey now plans across a five-year period for both General Fund revenue and capital budgets.
- 9.28. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority
  - manage financial resilience to meet unforeseen demands on services
  - manage unexpected shocks in their financial circumstances
- 9.29. The first full year of expected compliance with the FM Code will be 2021/22 and work will be undertaken over the course of the new financial year to reflect on how the authority can respond to, and benefit from, the principles and standards in the new Code.

#### Adequacy of Reserves

- 9.30. 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.
- 9.31. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.

9.32. 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 2019/20 to Period 10.

All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.

9.33. It is projected that the Council will have un-earmarked General Fund balance of £15.8m at 31st March 2020. The final position will be dependent however on the Council's 2019/20 financial outturn to be reported to Cabinet in June 2020.

9.34. 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 at £20m, as set out in Annex 3c which can be covered by the existing Resilience reserve and the General Fund reserve although it should be recognised that this cannot be a complete assessment. 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.

9.35. No change to the Council's Reserves Policy is recommended.

#### Treasury Management

9.36. The Treasury Management Strategy Statement (TMSS) for 2020/21 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 3rd February 2020 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.

9.37. The Council's Overview and Scrutiny Committee also considered the TMSS on 23rd January 2020 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.

9.38. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 11<sup>th</sup> February 2020. 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 1.99% with an additional 2% 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 2020/21 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 2020-2025 recognises the key drivers and risks arising from funding constraints and increases in demands for council services, but it remains essential that 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. The council tax and savings proposals remain unchanged since their consideration by the Cabinet on 11th February 2020. In reaching a decision the Council may adopt the Cabinet's proposals, amend them, refer them back to Cabinet for further consideration, or substitute its own proposals in their place.
- 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 2020/21 that for 2020/21 an increase is excessive if the authority's relevant basic amount of Council tax for 2020/21 is 4% (comprising 2% for expenditure on adult social care and 2% for other expenditure), or more than 3.99%, greater than its relevant basic amount of Council tax for 2019-20. 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 4% 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 11<sup>th</sup> February 2020, attached as Annex 1.

## **12. Use of Appendices**

Annex 1 – Cabinet report of 11<sup>th</sup> February 2020 including Appendices 1 - 13.

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 2020/21.
- NLWA Budget Proposals report agreed 13<sup>th</sup> February 2020.
- GLA Budget proposals report published 14<sup>th</sup> February (for 24<sup>th</sup> February meeting) 2020.

For access to the background papers or any further information please contact Frances Palopoli – Head of Corporate Financial Strategy & Monitoring ext. 3896