

Report for: Full Council 1st March 2021

Item number:

Title: 2021/22 Budget and Medium-Term Financial Strategy 2021/26

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 2021/22 Budget and 21/26 Medium Term Financial Strategy (MTFS) report at their meeting held on 9th February 2021 and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2021/22 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 2021/22 budget which can be found in the Cabinet report of 9 February 2021 attached at Annex 1 remain unchanged.

3. Recommendations

3.1. Council are asked:

- (a) To approve the proposed 2021/22 Budget and Medium-Term Financial Strategy (2021/26) agreed by Cabinet on 9th February 2021 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 3% for the Adult Social Care Precept;
- (c) To approve the General Fund budget requirement for 2021/22 of £249.077m, net of Dedicated Schools Budget, as set out in Appendix 1 of Annex 1 to this report;
- (d) To approve the Priority Cash Limits for 2021/22 of £ 249.077m as set out in Annex 2;
- (e) To approve the 2021/26 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 2021/22 as set out in Table 9.4 of Annex 1 to this report;
- (h) To approve the 2021/26 HRA Capital Programme set out in Table 9.5 of Annex 1 to this report;
- (i) To note the Greater London Authority (GLA) precept (para. 7.4);
- (j) To approve the budgeted level of non-earmarked General Fund balance and the specific and other reserves as set out in Annex 3b;
- (k) **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);
- (l) 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;
- (m) To approve the Treasury Management Strategy Statement 2021/22 set out in Annex 4; and
- (n) 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.
- (o) To note the results of consultation as set out in Appendix 8 of Annex 1.

4. Reasons for decision

- 4.1. The Council approved the Borough Plan 2019-2023 (the Plan) in February 2019. In response to the impact of the Covid19 pandemic on the Borough, its residents and businesses, a Recovery and Renewal process was instigated with the intention that the outcomes be used to inform a review and refresh of the Plan. The Borough Plan sets out **the Council's priorities and the 2021/22 Budget and 2021/26 MTFS** outlines the overall financial strategy for delivering those priorities. The latter has been developed with reference to the Recovery and Renewal process.
- 4.2. This final MTFS (2021/26) now proposed projects further unidentified savings of £21.9m across the period even if all budget reductions included in the MTFS are delivered and no new pressures identified. This is higher than the £15.5m assumed one year ago in the 2020/25 MTFS. The Council will therefore need to quickly identify major budget reduction measures in future years in order to balance the Budget/MTFS, as set out in section 9.
- 4.3. The 2021/22 Budget & 2021/26 MTFS Cabinet report of 9th February included relevant budgetary allocations announced in the Provisional Local Government Finance settlement on 17th December 2020. The Final Settlement ratified by Parliament on 10th February 2021 made no changes **impacting on Haringey's** figures so no adjustments to the Budget or MTFS were required. The 9th February report also **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.
- 4.4. 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 18th January 2021, this report sets out **Cabinet's** 2021/22 Budget and 2021/26 MTFS proposals, including the level of Council tax for 2021/22, for the Council to consider and approve.
- 4.5. The report and recommendations from the Cabinet meeting on 9th February 2021, 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 2021/22. Therefore, **in accordance with legislation and the Council's constitution, this** report recommends that the Council should approve the proposed 2021/22 Budget and 2021/26 Medium Term Financial Strategy agreed by Cabinet on 9th February 2021, 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 2021/22. Accordingly, no other options have been considered.

6. Background information

- 6.1. On 9th February 2021 Cabinet agreed a proposed 2021/22 Budget and 2021/26 MTFS for submission to this meeting of the Council, including: a General Fund revenue budget for 2021/22 of £249.077m; the Dedicated Schools Budget and the Housing Revenue Account (HRA) revenue budget for 2021/22; and the 2021/26 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 9th February 2021 (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 2021/22 (see para 4.3);
 - 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 2021/22.
- 6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2021/22.

7. Key Developments and Updates

Levying Bodies

- 7.1. The Board of the North London Waste Authority (NLWA) met on 11 February 2021 and agreed an overall levy of £57.8m for 2021/22 which is an overall 4.65% increase over the 2020/21 position. The quarterly forecasts provided for the 2021/22 levy have been volatile this year due to the impact of the Covid-19 pandemic; the various lock downs and restrictions have impacted on more established patterns of waste disposal and collection. Increases in the levy have though been expected and budget step up built into budget assumptions. The final levy on Haringey approved by the NLWA Board for 2021/22 is £9.0m, which can be accommodated within this enhanced budget. The increase in the Haringey levy reflects the decrease in the applicable balances and the updated forecasts of waste in totality. The MTFS has built in an element of growth in future years from 2022/23 to address the expected increase in levy to fund the costs associated with the new Energy and Resource Recovery Facility however, this is based on estimates and will need to be kept under review.
- 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 2020/21 and 2021/22.

Table 7.1: Summary of 2020/21 and 2021/22 Levies

	Amount Due 2020/21 £'000	Amount Due 2021/22 £'000
Environment Agency	176	180
Lee Valley Regional Park Authority	184	184
London Borough Grants Scheme	203	200
London Pensions Fund Authority	265	261
North London Waste Authority (NLWA)	8,007	9,000
Total Paid/ Due	8,834	9,825

The Greater London Authority Precept

- 7.4. The Mayor's final draft budget proposals for the 2021/22 consolidated budget were scheduled to be published on Tuesday 19th January 2021 and will be considered by the London Assembly on Thursday 25th February 2021. The current draft proposals indicate an increase of £31.59 (9.5%) to £363.66 (Band D) (comprising an additional £15 for the Metropolitan Police and an extra £15 for Transport for London to maintain free bus and tram travel for under 18s and the over 60s Oyster card). This currently conforms to the council tax referendum principles relevant for 2021-22 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 25th February 2021. Therefore, the amounts shown in respect of the GLA precept in Annex 5, the formal Budget resolution, may change. If this happens, the revised figures will be added as an addendum item to this report. 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 the unlikely event that the GLA finally resolve a Council tax precept at a level requiring them to undertake a referendum (i.e. if the unadjusted amount of council tax - the non-police precept - were increased by 2 per cent or more; or if the adjusted amount of council tax (i.e. the total Band D precept payable in the 32 boroughs) were increased by more than £16.59 (i.e. a £15 increase in the policing element and the maximum increase of £1.59 permitted by the 2 per cent limit for the unadjusted amount)), 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 2020 (SR20) the Government announced that those authorities with Adult Social Care functions could implement a further Adult Social Care (ASC) precept for 2021/22; 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. For 2021-22, the relevant basic amount of council tax is excessive if the **authority's relevant basic** amount of council tax for 2021-22 is 5% (comprising 3% for expenditure on adult social care, and 2% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2020-21. 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 3% 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 2021/22 is £110.3m based on 76,544 Band D equivalent dwellings (the Tax Base) (78,543 in 2020/21) a collection rate of 95.5% (96.5% in 2020/21) and the proposed Band D Council tax rate of £1,441.04 (£1,372.56 in 2020/21).
- 8.6. These proposals **result in total available funding (the 'Budget Requirement')** for 2021/22 of £249.077m, 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 more recently due to a prolonged period of austerity. This year it has been compounded by the impact of the Covid-19 pandemic.
- 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 third year that Haringey has referred to this document. The underlying data used for the index

(currently 2016/17 – 2019/20) is necessarily based on publicly available data and is therefore historic in nature but does illustrate trends. As a consequence of this it should be emphasised that the Resilience Index provides a pre-COVID picture of resilience at the end of March 2020.

- 9.4. **Haringey's 2019/20** 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 indicated by the model remains, as per last year, 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 risk compared to other London Boroughs. The unearmarked General Fund reserve has remained at a constant level and this trend is expected to continue.
- 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 Spending Round 2019 (SR19) was the first time since 2010 that Local Government saw an increase in funding with Core Spending Power increased by 6.3% nationally. **The Queen's Speech delivered on 19th December 2019** also announced that the £1bn additional Social Care funding included in SR19 was committed for each year of the Parliament.
- 9.9. The Spending Round 2020 (SR20) also showed an increase (4.5%) in Core Spending Power nationally however, it should be noted that 85% of this increase is dependent on council tax increases, with only 15% from increased government support. The SR20 also, for the second year in a row, only covered funding announcements for 2021/22. This decision was taken in order for the government to prioritise the response to the C19 pandemic. While this is understandable it continues to expose the local government sector yet again to significant uncertainty across the following years of the MTFs and hampers longer term planning and decision making.
- 9.10. This uncertainty is further compounded by the fact that, even after a year since the C19 entered the UK, the country is still operating with serious restrictions. The public sector has received a significant package of one-off funding support during the current financial year and the SR20 and local government finance settlements both included funding commitments from central government to support local authorities with on-going C19 pressures in 2021/22. At this stage, it is too early to assess whether it will be sufficient to

cover the expected pressures however, the planning assumption taken in setting the 2021/22 Budget is that the council can rely on general and specific grants from government to offset additional budgetary impacts.

- 9.11. The impact of the C19 pandemic on public finances will not disappear quickly. The OBR report published on 25 November 2020 forecast that, even with expected growth in 2021, it was unlikely that the economy would return to pre-C19 levels before the end of 2022. That was before the current lockdown was **put into place. The Chancellor's Budget statement is planned to take place on 3 March 2021 and is expected to focus on initiatives to stimulate the economy** however, until the detail is seen, it remains as a potential risk to current **assumptions in the MTFS. The impact of the UK's exit from the EU is also** another macro-economic risk which could potentially build in significant additional costs to the current MTFS assumptions, but there is currently insufficient concrete intelligence to actively build into our financial plans.
- 9.12. The Government is committed to progressing the expected reform of the Business Rates system during 2021/22 and if so it must be expected that the Fair Funding Review will also 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 2021/22 levels or improves, the actual sum received by Haringey could be less. The impact of forecast population numbers reducing across London could also be significant in terms of funding into the region.
- 9.13. In the light of these considerable uncertainties, **largely outside the Council's** direct control, further weight is given to the S151 considerations on the adequacy of reserves and other balances.

Robustness of the budget process

- 9.14. The financial planning process this year had looked to build on the progress made last year where the budgets adjustments agreed were more realistic and understood and owned by the wider organisation. The forecast budget gap **for 2021/22 in last year's MTFS was £1.954m and this would have** allowed the organisation to develop larger scale, transformational programmes to address the widening gap beyond 2021/22.
- 9.15. However, the subsequent impact of the global pandemic (Covid-19) has led to a significant shift in the MTFS assumptions in place when the last budget and MTFS were agreed. This, in particular, led to a downwards assessment of local tax revenues. It also impacted on the ability of the Council to deliver agreed savings to the set timeframes and the 2021/22 Budget proposes reprofiling £2.9m into future years. A detailed challenge to the growth assumptions in the existing MTFS was also undertaken alongside a review of base budget pressures highlighted as part of the in year budget monitoring. A number of policy growth proposals are also proposed. The outcome of this detailed work

on the revised forecast gap for 2021/22 was significant with an estimated shortfall of £17m, an increase of £15m to the forecast in February 2020.

- 9.16. This highlighted the need for change to take place at a faster pace than originally envisaged. Furthermore, with the forecast level of budget reductions now required for 2021/22, it became apparent that a focus purely on a directorate led basis would be unable to achieve the magnitude required. This would also have been a barrier to progressing the more transformational, council-wide changes which emerged as a key output from the Recovery and Renewal activity which:-
- Looked at our borough plan priorities and principles and reflected on what needed to change as a result of Covid-19, including as part of conversations with partners, to understand systems-wide perspective
 - Reviewed our service delivery, to meet the challenge of delivering services in a new world of living with Covid-19 and doing so in a smaller budget envelope
 - Worked with partners to understand the systems-wide impact
- 9.17. This led to the formulation of cross-cutting programmes which have identified forecast budget reductions albeit requiring a longer lead in time, so not delivering fully until 2022/23.
- 9.18. The financial planning approach taken, which has built on the groundwork put in place over the last couple of years does provide greater confidence of managing within the agreed budget. However, the size of savings to be achieved alongside business as usual activity and the on-going impact of C-19, still retains a delivery risk and the budget proposals now proposed maintains the Budget Resilience contingency for 2021/22 and across the whole of the MTFS period to be used to mitigate any in-year overspend/delay in implementation of planned savings.
- 9.19. 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.
- 9.20. The Council closely monitors progress on delivering agreed savings and provides quarterly RAG rated reports to Cabinet. The C-19 pandemic has had a negative impact on delivery during 2020/21 but this is in line with the experience of other authorities, as officers had to re-focus efforts on responding to the demands of supporting local communities at this challenging time. The financial planning process has acknowledged this and has re-profiled savings where necessary. The new service budget reductions proposed in this Budget/ MTFS have been reviewed by Overview and Scrutiny, public consultation and assessed for any negative equalities impacts. The implications of the proposed capital programme to the future revenue budgets of the authority were highlighted during this process.

- 9.21. The introduction of a “live budgeting” approach during 2019/20 will continue to be an additional tool to enable the Council to respond in a timely manner to pressures or opportunities that present; this may be more salient in the forthcoming year as the country continues to respond to the pandemic.
- 9.22. Table 9.1 below confirms the total savings agreed by Cabinet for 2021/22 and for each of the remaining years of the MTFS. While the Council has identified new budget reductions of £11.4m (Appendix 3 of Annex 1 to this report) across the MTFS period bringing total agreed budget reductions to £27.6m, there are still unidentified savings of £21.9m across the MTFS period, £12.2m of which will need to be found in 2022/23 a considerable step up.

Table 9.1: Summary of Agreed/Unidentified MTFS Reductions

Total Savings Proposals - 2021/2026						
Priority	2021/22	2022/23	2023/24	2024/25	2025/26	Total Proposals
	£000	£000	£000	£000	£000	£000
Housing	1,328	340	51	12	1	1,732
People - Adults	3,161	3,980	535	0	0	7,676
People - Children	(225)	1,679	130	230	0	1,814
Place	4,378	2,649	(1,370)	1,360	170	7,187
Economy	225	100	100	100	70	595
Your Council	716	1,032	6	0	0	1,754
Subtotal	9,583	9,780	(548)	1,702	241	20,758
Cross-Cutting Proposals	750	2,250	0	0	0	6,850
Total	10,333	12,030	(548)	1,702	241	27,608
Use of Reserves	1,688	0	0	0	0	1,688
Unidentified Savings	0	12,230	8,420	1,261	0	21,911
Total Savings Requirement	12,020	24,260	7,872	2,963	241	51,206

- 9.23. In summary, the Council is required to deliver £51.2m of budget reductions before 2025/26 which equates to a 20% reduction to the 2021/22 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.
- 9.24. At the end of Quarter 3 for 2020/21, the draft budget monitoring position indicates a year end deficit of circa £8.1m however, £4.32m of this is C19 related and the council still expects to be recompensed by the government for this element. The non-C19 pressure has reduced since Qtr2 and it is expected that services will continue to look to address their overspends before year end; any residual balances are expected to be met from utilisation of the budget contingency.
- 9.25. The position of the Dedicated Schools Grant continues to be of concern to Haringey, with a projected negative balance of in excess of £16m to be carried forward into 2021/22, largely owing to overspends in the High Needs Block in the last 3 years. This is a national issue with many Councils in a similar position to Haringey. Whilst the government’s clarity that DSG is now a ringfenced fund which will not currently become a pressure to the general fund is helpful, this

is a significant deficit balance to hold **within the Council's balance sheet**. Local action by the Council will be developed to help mitigate the position, however this in itself will not be sufficient to address the overspend position. The issues faced by the sector require a systemic review of funding from the government, including funding or mechanisms to rebalance carried forward deficits.

- 9.26. The Chief Financial Officer is satisfied that the estimates underpinning the **Cabinet's proposals for the 2021/22 Budget are robust however, the challenge for 2022/23 and beyond is considerable and the council must take action now to tackle this.**

Adequacy of Reserves

- 9.27. 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.**
- 9.28. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 9.29. 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.
- 9.30. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.
- 9.31. Annex 3b also shows the projected movement on the reserves over the current (2020/21) financial year, based on the position at Period 10.
- 9.32. It is projected that the Council will have un-earmarked General Fund balance of £15.8m at 31st March 2021. The final position will be dependent however **on the Council's 2020/21 financial outturn.**
- 9.33. It is imperative that 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 £20.8m, 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.**
- 9.34. **No change to the Council's Reserves Policy is recommended.**

Treasury Management

- 9.35. The Treasury Management Strategy Statement (TMSS) for 2021/22 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 4th February 2021 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.
- 9.36. **The Council's** Overview and Scrutiny Committee also considered the TMSS on 18th January 2021 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.
- 9.37. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 9th February 2021. 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 for 2021/22 and proposes that Council Tax is increased by 1.99% with an additional 3% 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 2021/22 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 2021-2026 recognises the risks arising predominantly 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.

Head of Legal & Governance Comments and legal implications

- 11.2. The Head of Legal & Governance (interim) has been consulted in the preparation of this report and makes the following comments.

- 11.3. 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.
- 11.4. 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 9th February 2021. In reaching a decision Full **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.**
- 11.5. Under section 25 Local Government Act 2003, in considering decisions on the budget, and the level of Council tax, Full 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.
- 11.6. Full 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.
- 11.7. Full 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.
- 11.8. In accordance with section 31A of the 1992 Act, Full 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.
- 11.9. 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 2021/22 that for 2021/22 **an increase is excessive if the authority's relevant basic amount of Council tax for 2021/22 is 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure), or more than 5%, greater than its relevant basic amount of Council tax for 2020-21.** 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.

11.10. 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

11.11. Equality comments are included in the report to Cabinet dated 9th February 2021, attached as Annex 1.

12. Use of Appendices

Annex 1 – Cabinet report of 9th February 2021 including Appendices 1 - 11.

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 2021/22.
- NLWA Budget Proposals report agreed 11th February 2021.
- GLA Budget proposals report agreed 25th February meeting 2021.

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