

**Report for:** Council 22<sup>nd</sup> February 2016

**Item number:** 12

**Title:** 2016/17 Budget

**Report authorised by:** Tracie Evans – Chief Operating Officer

**Lead Officer:** Neville Murton – Lead Finance Officer.

**Ward(s) affected:** ALL

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

## **1. Describe the issue under consideration**

- 1.1. Cabinet considered the 2016/17 budget report at their meeting held on 9<sup>th</sup> February 2016 and resolved to propose that report, unchanged, for consideration and approval of the final budget and Council tax for 2016/17 by Full Council in accordance with the Council's constitution.

## **2. Cabinet Member Introduction**

- 2.1. My comments can be found in the Cabinet report attached as Annex 1. I am pleased that the outcome from the final settlement means that Council are now able to consider unchanged the budget proposals set out in that report and I commend those proposals to the Council.

## **3. Recommendations**

- 3.1. Council are asked:
  - (a) to note the proposed Budget package agreed by Cabinet on 9th February 2016, including the outcomes from the budget consultation processes, which is attached as Annex 1.
  - (b) to note the Budget Scrutiny recommendations made by the Overview and Scrutiny Committee and the response of the Cabinet set out in Appendix 6 to the Cabinet budget report (Annex 1)
  - (c) to approve the increase in the Haringey Council tax of 2% relating to the Adult Social Care precept;
  - (d) to approve the Cash Limits 2016/17 as set out in Annex 2;
  - (e) to approve the General Fund budget requirement for 2016/17 of £255.627m, net of Dedicated Schools Grant, as set out in Appendix 1 to the Cabinet budget report (Annex 1);

- (f) to approve the 2016/17 General Fund capital programme set out in Appendix 3 to the Cabinet budget report (Annex 1);
- (g) to approve the Housing Revenue Account Budget 2016/17 as set out in Appendix 2 to the Cabinet budget report (Annex 1);
- (h) to approve the 2016/17 Housing Revenue Account (HRA) capital programme set out in Appendix 4 to the Cabinet budget report (Annex 1);
- (i) to note the Greater London Authority (GLA) proposed precept (para. 7.8);
- (j) to delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Resources and Culture, 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 reserves policy including the Chief Finance Officer's (CFO) assessment of risk and her assessment of the adequacy of current and projected reserves, as set out in Annex 3 (a – c);
- (l) to approve the estimated level of un-earmarked General Fund reserves over the medium term financial planning period (2015 – 2018) and the specific and other reserves as set out in Annex 3b;
- (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 2016/17 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. In February 2015, and following extensive consultation, the Council approved its Corporate Plan and Medium Term Financial Strategy (MTFS) covering the period 2015 - 18. The Corporate Plan set out the Council's priorities, the MTFS outlined the overall financial strategy and the Workforce Plan outlined the workforce strategy for achieving those priorities.
- 4.2. As a result of the significant reductions to the Council's funding from central government grants, the MTFS required around £70m of approved saving proposals to deliver a balanced budget position in each of the three years' covered by the MTFS (2015 – 18).
- 4.3. Following the publication, on 17<sup>th</sup> December 2015, of the Provisional Local Government Finance settlement, Cabinet reviewed the impact of the settlement on the 2016/17 budget set out in the approved MTFS. A further

report to the Cabinet on 9<sup>th</sup> February 2016 provided the Cabinet with the opportunity to finalise the budget proposals set out in this report taking into account the feedback from consultation and the views of the Overview and Scrutiny Committee.

- 4.4. The report and recommendations from the cabinet meeting on 9<sup>th</sup> February 2016, which were agreed in full un-amended, are attached as Annex 1.
- 4.5. On 8<sup>th</sup> February 2016 the government published the final Local Government Finance Settlement which was referred to orally at the Cabinet meeting held on 9<sup>th</sup> February 2016; however, in respect of Haringey's position the final settlement did not materially change the information previously considered by the Cabinet and no consequent amendments were required as a result.
- 4.6. Taking all relevant factors into account, including in particular the outcomes from statutory consultation with business rate payers, further public consultation and the recommendations from the Overview and Scrutiny committee meeting held on 25<sup>th</sup> January 2016 this report sets out Cabinet's final budget proposals including their 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 note the proposed budget package agreed by Cabinet on 9th February 2016, approve the 2016/17 budget and approve the Council tax for 2016/17. Accordingly no other options have been considered.

## **6. Background information**

- 6.1. On 9th February 2016 Cabinet agreed a proposed Budget package for submission to this meeting of the Council, including a revenue budget for 2016/17 of £255.627m, with an additional indicative budget of £242.685m in respect of the Dedicated Schools Grant and approved the 2016/17 Capital Programmes for both the General Fund and Housing Revenue Account (HRA). This was subject to the final Local Government Finance Settlement and the decisions of levying and precepting authorities.
- 6.2. The Cabinet report of 9th February 2016 (attached as Annex 1 to this report), and the proposed budget package recommended to Full Council by Cabinet, are the subjects of debate at this meeting.
- 6.3. This report addresses:
  - The Final Local Government Finance Settlement 2016/17;
  - 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 2016/17.
- 6.4. The report concludes by presenting the budget resolution to set the Council tax for 2016/17.

## **7. Key Developments**

### **Final Local Government Finance Settlement 2016/17 and other changes**

- 7.1. Details of the final Local Government Finance settlement 2016/17 were announced on 8<sup>th</sup> February 2016, too late to be included in the report for the Cabinet meeting of 9<sup>th</sup> February 2016.
- 7.2. However, the final settlement made no changes to the Council's funding position other than a very small (£8k) adjustment to the Council's New Homes Bonus estimated funding.
- 7.3. There have been no other funding announcements or the provision of other information by the government that would change the key assumptions underpinning Cabinet's proposals to Council regarding the 2016/17 budget, the HRA, the DSB, and the Capital Programme(s).
- 7.4. Any such changes that do occur following Council's approval of the 2016/17 Budget will be reported to Cabinet as part of the normal budget monitoring and financial planning processes.

### **Levying bodies**

- 7.5. The Board of the North London Waste Authority (NLWA) met on 11<sup>th</sup> February 2016 and agreed an overall levy of £46.6m for 2016/17; which is a minor (0.42%) increase over the 2015/16 position. Of this overall sum, £6.864m is the levy to this Council.
- 7.6. The levy reflects a change to a menu pricing approach which means that the previously separate income due to the Council from the Commingled Income Payments Scheme (CIPS) is no longer a separate feature; the main levy has therefore fallen, in comparison to the 2015/16 levy, as it now includes a separate (lower) charge rate for 'recyclables' and the CIPS income is no longer received.
- 7.7. Taken together these items are broadly neutral in budget terms and had already been reflected in the budget report to the February Cabinet meeting; no additional changes are now being proposed as a result.

### **The Greater London Authority Precept**

- 7.8. The Mayor's final draft budget proposals for the 2016/17 consolidated budget were scheduled to be published on Friday 12<sup>th</sup> February and will be considered by the London Assembly on Monday 22<sup>nd</sup> February. The current draft proposals indicate a proposed reduction of £19.00 (-6.4%) to £276.00 (Band D) however, it is possible that this may change before the final budget

is approved – including the possibility of a change at the meeting on the 22nd February.

- 7.9. It is possible, therefore, that the amounts shown in respect of the GLA precept in Annex 5 – the formal Budget resolution, may change. The Council as a billing authority is required to reflect the level of any relevant precept notified to it and so it is not a decision of the Council as to whether the level of the GLA precept should be approved or not. It is however, imperative that the information produced by the Council as the Billing Authority reflects the final decision taken by the GLA.
- 7.10. In order to accommodate the possibility that the final GLA precept varies from that currently advised, the recommendation to the Council is that it approves the budget resolution as currently presented at Annex 5 which reflects the current position and gives delegated authority to the Council's Chief Finance Officer (CFO) in consultation with the Lead Member for Resources and Culture to implement the final GLA Council tax precept in the Council's billing information.
- 7.11. In the very unlikely event that the GLA finally resolve a Council tax precept at a level requiring them to undertake a referendum (i.e. a greater than 2% increase which in monetary terms, based on an analysis of the benchmark Band D property, would equate to an increase in the GLA precept of £5.90 per annum) 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' tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 8.2. The Government has announced that those authorities with Adult Social Care functions can implement an Adult Social Care precept up to a maximum of 2%, 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 2016/17 an increase is excessive if the authority's relevant basic amount of Council tax for 2016/17 is 4% (comprising 2% for expenditure on adult social care and 2% for other expenditure) or more than 4% greater than its relevant basic amount of Council tax for 2015/16.

- 8.4. In total therefore the Council could approve an increase in its relevant basic amount of Council tax of up to, but not including, 4% without triggering a referendum.
- 8.5. Accordingly the basis of the Cabinet's budget proposals to only implement the Adult Social Care precept gives rise to an increase of 2% 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).
- 8.6. In considering the level of its Council tax for 2016/17 the Council should have regard to:
- The level of non-Council tax funding resources that will be available;
  - The on-going demand for services;
  - The views of residents, businesses and other interested parties;
  - The level of efficiency savings and service reductions that can realistically be delivered;
  - The criteria for a Council tax referendum determined by the government;
  - The general economic climate and the additional financial burden any increase would have on Council tax payers.
- 8.7. The projected income from Council tax in 2016/17 is £87.187m based on 72,175 Band D equivalent properties (the Tax Base) a collection rate of 95%, and the proposed Band D Council tax rate of £1,208.01. The 2015/16 Tax Base was 70,810 Band D equivalent properties.
- 8.8. These proposals result in total available funding (the 'Budget Requirement') for 2016/17 of £255.627m, as set out in recommendation 3.1(e), above.

## **9. Robustness of the budget process**

- 9.1. The Council's Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the final budget calculations.
- 9.2. The government continues its programme of public spending reductions, originally set out in its Spending Review (SR) of 2010 but continued through SR 2015 and intervening Autumn Statement and Budget Statement announcements which have set out significant funding reductions for local authorities. In addition the government has embarked on a range of far-reaching changes across the public sector such as the transfer of Public Health responsibilities to Councils and the implementation of a range of welfare reforms.
- 9.3. The Business Rate Retention Scheme was implemented in April 2013 and this allows Councils to retain a proportion (30%) of net growth in the Business



Rates in its area. As such there has also been significant risk and uncertainty transferred from central to local government.

- 9.4. To meet the unprecedented scale of this financial challenge, the Council set out a robust three year Medium term Financial Strategy in 2015 covering the period 2015 – 2018 and the 2016/17 proposed budget is consistent with the underlying assumptions on funding reductions set out in the MTFS. The Council plans to continue its approach to delivering services by prioritising front line and key service areas.
- 9.5. As in previous years, the budget proposals for 2016/17 include a designated £2m contingency sum.
- 9.6. The budget proposals have been subject to detailed scrutiny and the Cabinet has also undertaken consultation with residents and businesses.
- 9.7. The recommendations agreed by the Overview and Scrutiny Committee at its meeting on 25<sup>th</sup> January 2016, together with the responses of the Cabinet, are set out in Appendix 6 to the Cabinet report of 9th February 2016 (attached as Annex 1 to this report).
- 9.8. The budget process is complemented by a regular cycle of Budget Management and Performance Reviews. This involves detailed evaluation of budget, performance and workforce information at both Cabinet Member and senior officer levels. The Council's Risk Management process also underpins all of these activities.
- 9.9. The 2015/16 budget management position identifies significant budget pressures and the need to draw further on the Council's reserves in order to maintain a balanced budget; reserves can only be used once and it is important that those savings proposals, where there has been slippage, are progressed effectively in 2016/17.
- 9.10. Accordingly, the Chief Financial Officer is satisfied the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the 2016/17 Budget.
- 9.11. It is, however, imperative that the Cabinet and Council continue to pursue the identification, and subsequent delivery, of those savings that have not been fully delivered in 2015/16 together with the additional savings required from 2016/17 onwards as set out in this report, including consideration of options for reducing the identified need for the additional support from the Council's reserves required to balance the three year programme.

#### **Adequacy of Reserves**

- 9.12. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Annex 3a, which the Council should formally review each year.

- 9.13. It is projected that the Council will have an un-earmarked General Fund Reserve of c£19.6m as at 31st March 2016. The final position will be dependent however on the Council's financial outturn 2015/16 to be reported to Cabinet in June 2016.
- 9.14. The level of earmarked reserves will be subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 9.15. The Council holds a number of reserves which are detailed in Annex 3b and can be categorised as follows:

**Non-earmarked (general) Reserves** - These are held to cover the net impact of risks, opportunities and unforeseen emergencies;

**Earmarked (specific) Reserves** - These are held to cover specific known or predicted financial liabilities;

**Other Reserves** - These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools' accumulated balances.

Annex 3c also shows the projected movement on the reserves over the financial planning period 2016 - 2018. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.

- 9.16. 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.
- 9.17. No change to the Council's Reserves Policy is recommended at this time.

## 10. Treasury Management

- 10.1. The Treasury Management Strategy Statement (TMSS) for 2016/17 set out in Annex 4 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was considered by Corporate Committee on 8<sup>th</sup> February 2016 and recommended it for approval by full Council; the report from that Committee is included elsewhere on this agenda.
- 10.2. The Council's Overview and Scrutiny Committee also considered the TMSS on 25<sup>th</sup> January 2016 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice; neither committee had any proposed changes or comments to make on the TMSS to Council.
- 10.3. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 9<sup>th</sup> February 2016. Any future decision by the Council to undertake further debt financed capital expenditure,



including in particular any changes associated with the Capital Strategy will require a review of the prudential indicators and further approval by full Council.

## **11. Summary and Conclusions**

- 11.1. This report finalises the Budget process and proposes that the Council tax is increased in respect of a 2% Adult Social Care precept.
- 11.2. The level of financial reserves is also reported and those levels are considered to be adequate.
- 11.3. The Council is required to determine whether its increase in Council tax for 2016/17 is 'excessive' and, if so, would trigger a referendum.
- 11.4. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.
- 11.5. The Medium Term Financial Strategy 2015-18 recognises the key drivers and risks arising from the government's continued funding reductions and increases in demands for council services, but it remains essential the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of savings, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its diminishing resources.

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

- 12.1. 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**

- 12.2. 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.
- 12.3. 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.
- 12.4. 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.
- 12.5. 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.

- 12.6. 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.
- 12.7. 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.
- 12.8. 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 2016/2017 that for 2016/17 an increase is excessive if the authority's relevant basic amount of Council tax for 2016-17 is 4% (comprising 2% for expenditure on adult social care and 2% for other expenditure), or more than 4%, greater than its relevant basic amount of Council tax for 2015-16. 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.
- 12.9. 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**

- 12.10. Equality comments are included in the report to Cabinet dated 9<sup>th</sup> February, attached as Annex 1 and there are no additional comments to make on the basis of this covering report.

### **13. Use of Appendices**

Annex 1 – Cabinet report of 9th February 2016 including Appendices 1 - 9.

Annex 2 – Cash Limits analysed by Assistant Director

Annex 3 – Reserves

3a: Reserves Policy

3b: Reserves and their adequacy

3c: Risk evaluation

Annex 4 – The Treasury Management Strategy Statement

Annex 5– The Formal Budget Resolution

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

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

- Final Local Government Finance Settlement 2016/17.
- NLWA Budget Proposals report published 3<sup>rd</sup> February (for 11<sup>th</sup> February meeting)
- GLA Budget proposals report published 12<sup>th</sup> February (for 22<sup>nd</sup> February meeting)

For access to the background papers or any further information please contact Neville Murton Lead Finance Officer on 0208 489 3176.