



## CABINET

11 February 2014

**Subject Heading:**

**THE COUNCIL'S BUDGET 2015/16**

**Cabinet Member:**

**Councillor Roger Ramsey**

**CMT Lead:**

**Andrew Blake-Herbert**

**Report Author and contact details:**

Mike Board  
Corporate Finance and Strategy  
Manager  
01708 4322217  
[mike.board@onesource.co.uk](mailto:mike.board@onesource.co.uk)

**Policy context:**

The Council is required to approve an annual budget and this report sets out the proposed budget for 2015/16 and includes recommendations to Council for the formal budget-setting process and setting a Council Tax increase of 1.993% in line with the agreed financial strategy.

**Financial summary:**

This report deals with the overall budget position and sets out the detailed proposals for 2015/16 and recommends to Council the Council Tax level at band D as £1,219.00

**Is this a Key Decision?**

**No**

**When should this matter be reviewed?**

**Reviewing OSC:**

Overview and Scrutiny Board

### **The subject matter of this report deals with the following Council Goals**

Clean, safe and green borough	X
Champion education and learning for all	X
Economic, social and cultural opportunities in thriving towns and villages	X
Value and enhance the lives of our residents	X
High customer satisfaction and a stable council tax	X

**ALL MEMBERS ARE ASKED TO RETAIN THIS REPORT AND ITS  
APPENDICES FOR REFERENCE AT THE COUNCIL TAX MEETING  
ON 25<sup>TH</sup> FEBRUARY 2015**

**SUMMARY**

This report outlines the context within which the 2015/16 budget is being set and identifies the Council's overall policy direction, statutory duties and financial strategy.

The Council's budget needs to reflect the level of funding allocated to it by the Government. Cabinet received reports in May and September 2014 that provided an update on developments at the national level and the consequential impact on local government funding and set out information on the financial position within Havering. The September report also set out the Council's long term financial strategy to manage the implications of funding reductions and cost pressures over the next four years. It contained specific proposals to bridge the funding gap for the next two years and further proposals are needed to move the Authority towards a balanced four-year budget.

A further report was made to Cabinet on 21<sup>st</sup> January 2015 which updated Members on the Local Government financial settlement, the progress of the corporate budget and the proposed financial strategy for the coming financial year, the latest in year financial monitor and feedback on the public consultation to the proposals affecting services which were included in the September report. A Special Cabinet was held on 4<sup>th</sup> February 2015 which considered the responses to the budget consultation and more specifically the impact on three of the savings proposals. These proposals were considered at this special meeting are now reflected in the draft strategy and budget proposals.

**The current position is that there would be an increase in the Havering element of the Council Tax of 1.993%, which is in line with the assumptions in the approved financial strategy.**

Final confirmation of the Greater London Authority (GLA) precept is expected at the meeting of the London Assembly on 23<sup>rd</sup> February 2015. The Mayor has proposed a small reduction in the current precept, as previously advised to Cabinet, and this has been the subject of a consultation process. Any changes to the GLA position will be reported at the Cabinet meeting if known, and an update will be provided for the Council meeting.

**On the assumption that this is approved by the London Assembly, along with the proposed increase of 1.993% in the Havering share, the band D figure would increase to £1,514.00 an increase of 1.326%.**

This report provides details of the various components of the budget with appendices.

**RECOMMENDATIONS**

**That Cabinet, in view of the need to balance the Council's policies meet demand for statutory services, government initiatives, inspection regimes and Council Tax levels:**

1. Consider the advice of the Chief Finance Officer as set out in Appendix H when recommending the Council budget.
2. Consider the comments in the report on changes to the budget resulting from the consultation exercise, which were reviewed by the Overview and Scrutiny Board on 5<sup>th</sup> February 2015 and attached as Appendix J to this report, when recommending the total Council budget.
3. Recommend to Council the following budgets for 2015/16:
  - The Council's draft General Fund budget as set out in Appendix E, formulated on the basis of:
    - An ELWA levy based on the anticipated budget and levy increase, and
    - The other assumptions set out in this report.
  - The delegated schools' draft budget
  - The capital programme as set out in Annexes 2, 3 and 4 of Appendix I,
4. Delegate to the Chief Executive and Group Directors to implement the 2015/16 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities are required as detailed in the Council's Constitution.
5. Agree that the Group Director Communities and Resources in consultation with the Leader be authorised to allocate funding from the Capital contingency included within the draft capital programme.
6. Agree that to facilitate the usage of unringfenced resources, the Chief Executive and Group Directors will have delegated authority to review any such new funds allocated to Havering, make proposals for their use for approval by the Leader in consultation with the Cabinet Member for Financial Management.
7. Delegate to the Chief Executive and Group Directors the authority to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements, where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation as appropriate.
8. Approve the schedule of Fees and Charges set out in Appendix L, with any recommended changes in year being implemented under Cabinet Member delegation.
9. Agree that if there are any changes to the GLA precept and/or levies, the Chief Executive be authorised to amend the recommended resolutions accordingly and report these to Council on 25<sup>th</sup> February 2015.
10. Approve the Asset Management Plan as set out in Appendix M.

**That Cabinet:**

11. Recommend to Council, subject to recommendation 3 above, the following:

- The General Fund budget for 2015/16.
- The Council Tax for Band D properties, and for other Bands of properties, all as set out in Appendix E, as revised and circulated for the Greater London Authority (GLA) Council Tax.
- The delegated schools' budget for 2015/16, as set out in Appendix F.
- The Capital Programme for 2015/16 as set out in Annexes 2, 3 and 4 of Appendix I.

12. Recommend to Council to pass a resolution as set out in section 3.33.4 of this report to enable Council Tax discounts to be given at the existing level

<b>REPORT DETAIL</b>
----------------------

This report is split into the following parts:

1. Overall Policy Direction and Strategy.
2. Consultation and the Overview and Scrutiny Board comments.
3. Havering's Revenue Budget and Council Tax.
4. Capital Programme and Asset Management Plan.
5. Treasury Management Strategy.
6. GLA Budget.
7. Overall Council Tax Impact.
8. Other Matters.
9. Housing Revenue Account.

Appendices provide more information in certain areas and are cross referenced to the relevant text below.

**1. Overall Policy Direction and Strategy**

- 1.1 The Council's budget is a reflection of the Council's Strategy expressed in financial terms. The Council's Strategy reflects the main priorities of residents, as expressed in successive consultation exercises – principally, keeping the Borough clean and safe and promoting a high quality of life for local people.
- 1.2 These strategic objectives are at the heart of the corporate planning process for the new financial year and so the Council's financial planning – both in terms of investment and savings - necessarily reflects the same focus.
- 1.3 The proposals in these papers follow on from the range of savings proposals agreed by Cabinet in September 2014. These were subject to an extensive consultation exercise which concluded at the end of December 2014. Responses to the consultation were considered by Cabinet in January 2015 and proposals for amendment considered at a Special Cabinet meeting on 4th February 2015.

- 1.4 It is important to note that the Council's financial strategy and budget development process is an iterative one, taking on board a wide variety of issues and enabling forward planning. These include:
- Responding to the difficult and fluid financial climate;
  - Ensuring that the Council's policy priorities drive resource allocations;
  - Ensuring there remain clear links between revenue and capital budgets;
  - Continuing to ensure that all budgets have defined outputs;
  - Continuing to seek greater efficiencies – including through working in partnership and prioritising effectively;
  - Seeking funding from external agencies and/or partners;
  - Continuing to benchmark and deliver value for money.
- 1.6 There will continue to be difficult decisions to make in future years. However, the overall planning process will ensure these decisions will take place in an informed manner to ensure resource allocation matches policy and service priorities.
- 1.7 A statement, setting out the Council's revenue and capital budget strategies, has previously been approved by Cabinet. These set out the key principles around the budget, and are reflected in this report. The statements are set out in Appendix A, as they underpin the approach taken to setting the Council's revenue and capital budgets.
- 1.8 It is important for the Council that our financial strategy continues the success achieved in recent years and the thrust therefore continues so that it:
- Reflects the economic climate and the need for financial prudence;
  - Ensures the level of reserves is appropriate;
  - Links service planning with financial planning;
  - Identifies service delivery trends, changes in legislation etc. that will have a financial impact;
  - Accurately predicts levels of spend in the future to avoid overspends;
  - Identifies revenue costs resulting from capital expenditure,
  - Matches resources to priorities;
  - Costs areas of new or increased priority;
  - Provides savings to balance the books;
  - Provides savings to fund new investment and areas of increased priority;
  - Costs new investment and estimates any subsequent payback;
  - Increases value for money;
  - Manages risk and uses risk assessment to inform decision making;
  - Ensures all projects are adequately funded and resourced.

### **Partnership Working**

- 1.9 Partnership working is strong in Havering and the Council continues to work with key public, private and community groups to shape the development of the Borough.
- 1.10 The Council has also continued to look for potential opportunities to collaborate with other local authorities, especially those within its immediate vicinity. Havering participates in an alliance of North East London boroughs and is actively engaged in an ongoing dialogue over potential collaborations.

East London Solutions has been established as part of this process as a means of governing the collaborative opportunities, and officers are working jointly in a number of areas which offer potential scope for further efficiencies.

- 1.11 More recently the Council has entered into a partnership with Newham Council to establish oneSource, a joint committee designed to provide back office functions more efficiently. Significant levels of savings are expected to be achieved through shared Management, removal of duplication and efficiency savings in all the back office services. These savings are reflected in the Council's financial strategy.

### **Economic Climate**

- 1.12 Cabinet will be aware that the general economic climate has been both highly volatile and extremely unpredictable – although it could probably now be argued there is a degree of certainty since the successive CSR and LGFS announcements. Markets have recovered gradually but remain volatile, interest rates have reached unprecedented lows and remain at those levels, with little sign of any changes occurring, inflation has fallen unexpectedly in recent months, and the economic turmoil has required a massive level of intervention from the UK Government and elsewhere. The scale of the budget deficit, and the actions that would inevitably be needed to be taken to address this, have been the subject of much discussion, and have been covered in full in reports to Cabinet, starting in July 2010. Subsequent reports to Cabinet have provided updates on the position.
- 1.13 In setting the budget for 2015/16, it is essential to bear these general economic factors in mind. Although the Governments Autumn Budget Statement contained no details of cuts for 2016/17 the OBR reported that the pace of spending reductions in 2016/17 and 2017/18 would be faster and deeper than previously thought. It is anticipated that a further £10bn in departmental cuts is required in those two years in order to meet the Government's target of achieving a budget surplus by 2018/19.

### **Conclusions**

- 1.14 The position of the Council is that Havering is likely to continue to have severe resource constraints for the next few years, almost certainly to the end of the decade, and these constraints may be even more marked in later years if the Government is to meet its budgetary targets by 2018/19. This has inevitably placed severe restrictions on the resources available for services and was the driving factor in establishing a new four year strategy commencing in 2015/16.
- 1.15 The Council aimed to balance its budget over the first two years of the planning cycle. Further steps will be needed to address the funding gap in future years with the expectation of further cuts in the local government settlement.
- 1.16 The aim of the planning process is being achieved, i.e. to establish a stable financial position, to adopt a prudent approach to the continuing development of the Council's financial strategy, and to reflect the views of our local community on the impact of budgetary pressures and Council Tax increases subject to any changes in national priorities that are outside of the Council's

control. The Council is able to demonstrate that it is prioritising finance according to its business objectives and in the context of the general financial climate.

## **2. Consultation and Overview and Scrutiny Committees**

### **2.1 Consultation**

2.1.1 The *Your Council, Your Say* consultation at the start of 2011 asked the local community to set out its priorities for the years ahead, to help shape future spending decisions. Since then, the Council has continued an on-going dialogue with residents and other stakeholders, in addition to more formal consultation processes such as the *Spring Clean* survey in 2012 and a second *Your Council, Your Say* survey in 2013. Since the publication of the budget proposals in September 2014, the Council has:

- Carried out an extensive public consultation exercise on the draft budget savings proposals, including statutory consultation on relevant service proposals – libraries, parking and the Council Tax Support Scheme
- Provided information on its website and through a host of communications channels, inviting comment.
- Scrutinised the latest proposals through the Overview & Scrutiny Board on 5<sup>th</sup> February 2015.

2.1.2 A range of meetings with the Trades Unions and staff has taken place since the September 2014 Cabinet report, including consultation on a number of organisation restructure proposals.

2.1.3 Where possible, the proposals in this report take account of the views given by our local community.

### **2.2 Overview and Scrutiny Board**

2.2.1 The proposals to amend the budget savings options were considered by Special Cabinet on 4<sup>th</sup> of February 2015 and were scrutinised at a special meeting of the Overview and Scrutiny Board on 5<sup>th</sup> February 2015. As this agenda was published before that date a verbal update will be given of any matters raised by the Board.

## **3. Havering's Revenue Budget and Council Tax**

### **3.1 Introduction**

3.1.1 Mindful of the outcome of the public consultation on the budget proposals, set out below are the issues and factors taken into account in developing the 2015/16 budget. As well as the results of the consultation and budget finalisation, it is important to note that the position on the levies, if significantly different from the provisional sums, could affect the final level of the Havering Council Tax.

3.1.2 The impact of the Greater London Authority precept is covered separately in section 6.

3.1.3 This section of the report summarises a number of points covered in greater depth in the previous report to Cabinet. These have been updated where

relevant to reflect changing circumstances and more up to date information where this has subsequently become available.

### **3.2 Government Grant**

3.2.1 The previous report to Cabinet set out in some detail an analysis of the provisional settlement announcement. The final settlement was originally expected to be announced around the beginning of February, following the close of consultation on 15<sup>th</sup> January 2015. This may be too late to enable officers to incorporate this within this report. If there are any changes in the final settlement, supplementary papers will be issued as necessary.

3.2.2 Further clarification on specific aspects of the settlement are set out in Appendix B; as indicated above, full details were included in the January report. Key matters are:

- (a) The Council submitted a written response to the consultation on the provisional financial settlement and this response is included as part of Appendix B.
- (b) A meeting was held with the Local Government Minister to set out the impact of the settlement on Havering and a verbal update was given at the previous Cabinet meeting.
- (c) As a result of the settlement, Havering continues to receive a much lower level of grant funding than our neighbours, which reflects the position over a number of years previously.

3.2.3 As set out in the previous report to Cabinet, the provisional settlement was announced on 18<sup>th</sup> December 2014 and the position for 2015/16 is very much in line with officers' forecasts.

3.2.4 The key elements of the provisional settlement, and a comparison against the current funding level, indicates the following:

- There is an average reduction in "spending power" of 1.8%;
- Nationally, the spending control total is reducing by £3.2bn, or just over 13%;
- Havering's financial settlement including RSG has fallen by £10.02m (or 11%) for 2015/16 as compared with 2014/15 on a like for like basis;
- The existing Council Tax freeze grant for 2014/15 is rolled up into mainstream funding.

### **3.3 Specific Grants**

3.3.1 The Council continues to receive a number of specific grants outside of the general grant. Specific grants are for specific purposes and many (though a significantly reducing number) have been subject to external audit verification prior to claim submission. They are not for mainstream funding and, hence, increased levels of specific grants have not assisted in reducing the overall Council Tax level, as they reflect a similar level of spend by the Council. These have historically changed year on year and in some cases the details have not been known until after Council Tax setting.

3.3.2 A schedule of the range of specific grants which the Council receives in the current year and what is anticipated in 2015/16 was included in the previous report to Cabinet. An updated schedule is set out in Appendix C.



3.3.4 Assumptions are made in setting the budget on what those grant levels will be, unless specific announcements have already been made. The actual announcements may lead to differing amounts of grant funding being available, and may in fact identify new, or increased, levels of funding.

3.3.5 To facilitate the usage of these unringfenced resources, it is proposed that the Chief Executive and Group Directors will review any such funds allocated to Havering and make proposals for their use for approval by the Leader after consultation with the Cabinet Member for Financial Management. Cabinet is asked to approve this. In addition, Cabinet is being recommended to delegate to the Chief Executive and Group Directors authority to make any necessary changes to service and the associated budgets relating to any subsequent grant announcements where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation as appropriate.

### **3.4 Dedicated Schools Grant and Schools Funding Dedicated Schools Budget**

3.4.1 Details of the DSG funding for 2015-16 were set out in the previous report to cabinet. In brief, the allocations are as follows:

Year	Schools Block		Early Years Block		High Needs Block	Additions and cash floor	Total DSG
	GUF per pupil (£)	Allocation (£m)	GUF per pupil (£)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)
2015-16	4,719.03 <sup>1</sup>	165.705	3,979.94	8.978 <sup>2</sup>	19.161	0.052 <sup>3</sup>	193.897
2014-15	4,726.54	163.122	3,979.94	8.784	18.875	3.154	193.935

Notes:

<sup>1</sup> The reduction in the GUF in 2015-16 relates to a deduction of £7.51 per pupil for the carbon reduction commitment

<sup>2</sup> An Early Years Pupil Premium allocation of £194,696 is included in the Early Years Block allocation

<sup>3</sup> The 2 year old Early Years allocation will be confirmed and added to the Early Years Block in July 2015. In 2014-15 it was included in the Additions block.

3.4.2 This is the third year of new school funding arrangements that have been in operation since 2013-14. The DfE has deferred the implementation of a national funding formula until there is longer term certainty on the funding that will be available to schools. The intention is to achieve greater transparency on funding through a system where every pupil will attract the same basic level of funding wherever they are in the country with additional sums reflecting additional need, deprivation and area costs.

3.4.3 As the details of the DSG announcement for 2015-16 were included in the previous report to Cabinet, and as these have not changed subsequently, no further update is required.

3.4.4 The DSG held by the LA after academy recoument is summarised as follows:

	2014/15 £000	2015/16 £000
Total DSG	193,935	193,897
Schools Block	163,122	165,705
Schools Block Academy Recoupment	-71,864	-75,956
Balance for LA Schools & Centrally Held	91,258	89,749
Early Years Block	8,784	8,978
High Needs Block	18,875	19,161
High Needs Academy Recoupment	-0,716	tbc
Additions (inc new 2 year old grant)	3,154	0,052
Total for LA Schools, Early Years providers & Centrally Held	121,354	117,941

Notes

1. The above amounts are based on figures released by the DfE to include academies prior to 1<sup>st</sup> January 2015.
2. The allocation through the Early Years block will be updated for both years based on the January 2015 census and for 2015-16 updated again before year end based on the January 2016 census.

**Education Services Grant**

- 3.4.5 As set out in the previous report to Cabinet, new Government funding arrangements for education services provided by local authorities and academies were introduced in 2013-14. This is through an Education Services Grant (ESG) calculated on a per pupil basis according to the number of pupils for whom a local authority or academy is responsible. The ESG general funding rate for mainstream schools has been reduced from £113.17 in 2014-15 to £87.00 per pupil in 2015-16 with multipliers of 4.25 for pupils attending special schools and 3.75 for alternative provision. £15 per pupil is allocated to LAs regardless of whether they are on the roll of a school or an academy.
- 3.4.6 The initial allocation for Havering for 2015-16 is £2,583,311 compared to an initial allocation of £3,326,218 in 2014-15. This is a reduction of £749,907.
- 3.4.8 The above figures reflect the number of pupils attending schools and academies as at January 2015. The grant is recalculated on a quarterly basis to reflect any new academies. This may necessitate further savings in the future, although it will be difficult to anticipate these and these savings plans will take time to develop and implement. There is also an issue in relation to the point at which future ESG funding reductions impact on the critical mass of the education service which could mean that it is not feasible to deliver further savings and still deliver the council's statutory responsibilities.
- 3.4.9 To address the education services grant reductions as set out in 3.4.6 there are a number of restructures taking place to address some of this grant reduction. Significant work also continues across Learning and Achievement Teams to promote Havering's Education Traded Services to schools and academies within and beyond the authority. This work is likely to generate additional funding to replace this grant, although it is currently unclear as to how much this will generate. It is important to note that schools in Havering

for the first time this year have had actual reductions to their school budgets. This traded work is essential in order to retain an education service, albeit via funded through trading, that continues to support schools, who wish to purchase these services, to improve.

- 3.4.10 The costs in delivering statutory services fall mainly, although not exclusively within the Learning and Achievement Service. Grant reductions will also affect asset management services and central services recharged to Learning and Achievement.

### **3.5 Public Health**

- 3.5.1 This function transferred to local authorities with effect from 1<sup>st</sup> April 2013. Havering's allocation is £9,716,700 for 2014/15 and remains unchanged for 2015/16. The funding allocated is a specific, ring-fenced grant, and therefore these funds can only be expended for the purposes of public health services.
- 3.5.2 The terms and conditions relating to the grant were reviewed by officers as the extent to which this grant funding could be applied. The process included discussions with other authorities over the approach they are now taking with this funding.
- 3.5.3 With this in mind, a draft spending plan is being developed for the 2015/16 grant, for consultation with the Health & Wellbeing Board, with authority to approve the final plan being delegated to the Lead Member for Adult Services and Health after consultation with the Leader of the Council and the Group Director for Children, Adults and Housing, as agreed in the 21<sup>st</sup> January 2015 Cabinet.
- 3.5.4 On the 17<sup>th</sup> December 2014, The Department of Health released a consultation in regards to the transfer of 0-5's commissioning to Local authorities. This transfer creates new burdens for the authority from the 1<sup>st</sup> October 2015 however the funding proposed in the consultation once again leaves Havering with one of the lowest allocations in London. Final allocations will be provided by the Department of Health early in 2015 with the view to combine this funding with the existing public health allocation from 2016/17.

### **3.6 Council Tax Freeze Grant**

- 3.6.1 As indicated in previous reports to Cabinet, this grant was originally introduced for 2011/12, available as permanent grant funding across the whole of the CSR period. Subsequent announcements have followed, with freeze grants being rolled into the formula grant, being removed, or being maintained as a separate grant funding source. The freeze grant for 2014/15 has, as part of this process, now been rolled into the RSG.
- 3.6.2 A further additional, new freeze grant has been offered to authorities for 2015/16. This equates to 1% of the Council Tax yield, and for Havering this is now worth around £1m. As in previous years, this is only available to those authorities who freeze the Council Tax, or reduce it.
- 3.6.3 The impact of scaling does mean that, should the new freeze grants be rolled into mainstream grant at some future point, there is some risk the cash equivalent would reduce. However, acceptance of the grant would leave a gap of £1m in the 2015/16 budget and would increase financial pressures in

future years. The Council would therefore need to find additional savings to fill the gap.

### **3.7 New Homes Bonus**

3.7.1 The future of the New Homes Bonus (NHB) remains uncertain and for that reason a prudent approach has been taken to its inclusion in the base budget, with an estimated sum of around £3.4m in 2015/16 similar to last year's allocation due to the London Enterprise Panel (LEP) top slice.

3.7.2 Bids have been submitted to the LEP in order to reclaim part, or all of the £1.36m top-slice and we have received confirmation that these have been successful. This money is however linked to the bid requirements, rather than the main New Homes Bonus which the Council has the flexibility about how to use it.

### **3.8 General Inflation**

3.8.1 The previous report to Cabinet set out in some detail the broad approach being adopted. Provision has been made for the Local Government pay award which is negotiated nationally, whilst provision for inflationary rises in contracted services and income reflect the relevant circumstances in each case. Separate provision has been made for rises in utility costs, as these tend to be significantly different from any general provision. The situation will again be kept under review as the year unfolds, though at this stage, no further change to the approach set out in the previous report is envisaged.

3.8.2 In most cases, where the Council has discretion, the level of fees and charges has been held at 1% increase, to reflect the position intended in the budget strategy. Account is, as usual, being taken of any fees set statutorily, as these are outside the control of the Council. The schedules of fees and charges are set out in Appendix L for approval by Cabinet and the level of changes is being reflected in service budgets.

### **3.9 Payments to External Bodies**

3.9.1 Details of the proposed contributions for 2015/16 for concessionary fares and the Taxicard scheme were discussed in the previous report to Cabinet. The concessionary fares contribution is now confirmed as £8.053m. The contribution to the Taxicard scheme has not yet been finalised although it is expected to be released prior to the Council Tax report to Council on 25<sup>th</sup> February.

3.9.2 The Council's payments for the London Councils Subscription and London Boroughs Grants Scheme were also reported to the previous Cabinet meeting and the contributions will now be £143k and £258k respectively.

### **3.10 Transformation Funding**

3.10.1 As set out in the previous report to Cabinet, to provide funding to enable the Council to deliver a sustained transformation programme, the original base budget provision of £1m has been retained, rather than removing this as a saving. Given the potential scale of budget gap in coming years, it is increasingly evident that the Council will need financial resources to fund the

delivery of its long term budget strategy. This will require both this base budget sum and the use of one-off reserves.

- 3.10.2 Cabinet has previously agreed that any underspends will be allocated into the Strategic Reserve for potential use to fund transformation activities.

### **3.11 Demographic Growth**

3.11.2 Cabinet will be aware from previous reports that social care services in particular have been impacted by changes in demography. In particular, the aging population demographic is expected to lead to an increase in demand for adult social care. This issue has been reflected in the Council's budget for the past three years, and due to the fluid nature and high risk will continue to be closely monitored. This financial requirement is difficult to predict, however, with continuing changes in demand, the increased financial pressures facing local authorities, changes in funding streams referred to elsewhere, and shifts in population as well as properties, this issue now potentially has a broader impact.

3.11.3 At this stage, it is not possible to determine the financial impact of potential changes. Clearly, there will be an increase in Council Tax receipts, and this is factored into the base calculation. What is much more difficult to assess is the cost impact these changes might have, as this depends on the actual nature of the shift in demand, rather than any notional model. It is however a fact that such changes now represent a significant area of risk, both financial and otherwise. It is therefore proposed to increase the budget by £1m in order to provide for the impact of these pressures.

3.11.4 The response to the consultation pressures on adult services budgets, and graphs on Children's numbers shown in Appendix B1 and B2, both highlight the pressures and risks the budget is currently under. The Council will continue to lobby to try and secure a better outcome from the settlement for Havering. Where possible this will be done in conjunction with other Councils with similar issues to try and create greater critical mass to hopefully influence change.

### **3.12 Levying Bodies**

3.12.1 The levies are part of the local government settlement and therefore need to be taken into account when setting the Havering element of the Council Tax. The latest information in respect of levies is set out in Appendix D; at this stage the figures are shown as either provisional or estimated, with final figures expected shortly.

3.12.2 The ELWA budget is now due to be approved at the board meeting on 10<sup>th</sup> February 2014. The budget report has now been published and the figures contained within it are now reflected in this report, and the proposed budget for 2015/16. Subject to a fully successful claim, the only impacts will have been on disturbance to the service delivery and an increase in ongoing insurance premium.

3.12.3 The report indicates that Havering's levy for 2015/16 will now be £13.023m. This represents an increase of 8.6%, or £1.033 m. Subject to final approval by the Authority, this sum is reflected in the draft budget for 2015/16.

- 3.12.4 The biggest cause of the increased levy results from a serious fire in August 2014 at the ELWA Frog Island waste facility. A multi- million pound insurance claim has been made in respect of business losses and for re-instatement of the facility. Additional budget provision is required to meet an increase in Insurance costs and to replenish reserves drawn down to meet these costs.
- 3.12.5 For planning purposes, an increase of 5% in the remaining levies had previously been anticipated, although in financial terms, this only equates to around £34k. The final figures are dependent on the Council Tax base for each funding authority, so the provisional levies for 2015/16 are currently awaited. The figures included in the Council Tax statement are therefore estimates, apart from the provisional figures submitted by the Thames Region of the Environmental Agency.

### **3.13 Collection Fund and Council Tax Base**

- 3.13.1 With the continuing reduction in grant and the need for authorities to be self-funded, the collection fund has become even more crucial than previously. Currently, the collection fund receives approximately £200m each year from Business Rates and Council Tax of which £120m relates to Havering Council's share. The Fund operates in such a way that even very minor variations in recovery levels will affect the Fund balance. Thus, a relatively small reduction in collection can lead to a material financial impact to the authority.
- 3.13.2 Each year, in conjunction with the budget strategy, any surplus balance on this fund is used to reduce the Council Tax in the following year, and any deficit must be met by increasing the Council Tax by making a contribution to the Fund to keep it in balance. The budget setting process must take the position on the Fund into account, although clearly the final year end position will not become known for some months. So a prudent assessment is made of the forecast position and that is then reflected within the budget.
- 3.13.3 The Collection Fund is operated on behalf of the Council, DCLG and the GLA. Any contribution to and from the Fund is split on the basis of their respective responsibilities.
- 3.13.4 Havering's business rate yield for 2015/16 has been estimated at £22m. As per last year, there are still significant risks surrounding appeals as there are still a large number of material cases outstanding. It is understood that there is still a range of outstanding appeals currently with the Valuation Office. Whilst not all these appeals will succeed, any that do succeed will immediately impact on the Council's financial position from April and can be back-dated to 2010.
- 3.13.5 If the level of appeals is higher than that allowed for in the calculations, there will be a loss of funds, as the gap between the actual business rate yield and the calculated one will grow. This will impact on the Council's ongoing financial position, aside from the one-off cost effect of any refunds that are needed. This is a significant risk and one which requires due consideration as part of the budget setting process.
- 3.13.6 As part of the retention of Business Rates, local authorities are required to estimate the 2014/15 position in order to fund any anticipated surplus or deficit in the 2015/16 budget. Current estimates on the fund identify a surplus

## **Cabinet 11 February 2015**

of £653k of which Havering's 30% share is £196k, which will be included within the budget setting process.

- 3.13.7 The risk of appeals still exist and with this in mind an increase in the provision will be needed of around £646k to ensure that this gap can be covered. The actual position will depend on circumstances occurring during the course of the year. However, Cabinet needs to be aware that there is a risk that this gap will grow further in subsequent years, and this area will require careful scrutiny over coming months to determine what impact this will have on subsequent budgets.
- 3.13.8 For the 2015/16 budget, it is the forecast position on the council tax for the end of the current year that needs to be reflected in the detailed budget, as this is then fed into the precept payments for that year. Havering's forecasted share of the surplus is £2.677m, which is reflected in the overall budget and Council Tax statement. This represents a net one off gain of around £1.764m from the current position. Given the risks associated with the levels of outstanding appeals allied to the pressures associated with the delivery of the savings plan this sum will held in reserve until after the year end and any monies released on the basis of a prudent assessment of risk.
- 3.13.9 The Council Tax base is reviewed each year to take account of new properties and changes to other factors, such as exemptions and discounts. As previously reported to Cabinet, for 2015/16, the base will be 83,110. The taxbase also incorporates the changes from the Council tax Support scheme. This will, for the first time ask a small proportion of residences to pay for council tax for the first time. There is a risk on the collection of council tax from these rate payers which has also been taken into consideration by increasing the potential bad debt provision by 0.25%.

### **3.14 Financial Strategy – Budget Savings and Budget Adjustments**

- 3.14.1 At the meeting of 3rd September 2014 Cabinet approved its long term financial strategy for the four year period commencing from 2015/2016. Included within the strategy were savings totalling £17.519 million over two years which have been the subject of public consultation. Feedback from the consultation, was reported to Cabinet on 21<sup>st</sup> January 2015.
- 3.14.2 In response to the public consultation the Special Cabinet Committee held on 4<sup>th</sup> February 2015 considered proposals to amend the savings options affecting Libraries, the Youth Service, Parking in Parks and the Queens Theatre. The impact of these amended proposals is reflected within the draft budget and financial strategy.
- 3.14.3 The outcome of the Local Government Financial Settlement was discussed at some length in the previous report of 21<sup>st</sup> January 2015. The impact of the settlement does not therefore have a material impact on the council's financial strategy agreed at Cabinet on 3<sup>rd</sup> September 2014.
- 3.14.4 The budget proposals, which have been open for public consultation and the information set out in this report, explain how the Council will prioritise funding for next year. The level of Council Tax increase required to balance the budget is 1.993% which is in line with the strategy approved by Cabinet on 3<sup>rd</sup> September 2014.

### **3.15 Current Financial Position – Revenue**

- 3.15.1 The development of the financial strategy and detailed budget needs to take recognition of the financial position in the current year. Previous reports to Cabinet have set out the position for the current financial year; these have shown a potential overspend although these are expected to be covered by underspends in corporate provisions. The January 2015 Cabinet report set out a summary of the position at period 7 and this indicated an overall overspend of around £2.5m at service level, excluding the position on the Collection Fund and corporate provisions.
- 3.15.2 The most recent revenue monitoring reports cover period 8, to November 2014. This is an exception-only report; the period 8 report shows a further increase to around £2.6m. These forecasts take no account of the position around the Collection Fund and corporate provisions.
- 3.15.3 The latest report shows a small number of adverse movements since period 6, principally in children's services. There still remains a significant balance on the Contingency Fund, which has yet to be reflected in the forecast; this is usually only declared much closer to the end of the year, once there is a high degree of certainty over the outturn position if called on, and the Corporate Provisions created to provide a buffer against adverse circumstances are also potentially available to compensate for any service overspends.
- 3.15.4 Part of the planning process ensures that any in-year variances are fully assessed and taken into account. This was referred to in the January report.

### **3.16 Fees & Charges**

- 3.16.1 The fees and charges are broadly being held at the same level as currently, though in some areas these are being increase by an average of 1.0%, allowing for those set outside the Council's control. A complete Schedule of Fees and Charges is set out in Appendix L and is presented to Cabinet for approval as part of the 2015/16 budget. The Schedule will be held on the Intranet and will be available via the Council's website.
- 3.16.2 Fees and Charges continue to be reviewed and amendments made in line with strategic priorities rather than the impact on Council Tax.

### **3.17 Members Allowances Scheme**

- 3.17.1 The proposed Scheme for 2015/16 is being prepared concurrently with this budget report for consideration and approval by Council on 25<sup>th</sup> February.

### **3.18 Contingency Provisions**

- 3.18.1 The level of contingency has been reviewed in the context of the budget set out for Cabinet. The Chief Finance Officer (CFO) has set this by having due regard to:
- The budget as proposed;
  - An assessment of unquantifiable pressures and unforeseen events that could arise during the 2015/16 financial year;
  - The experience in previous years;



- The degree of uncertainty as well as known impact of changes to funding streams;
- The potential effect of changes to both the Business Rates system and Council Tax support payments, though these are now becoming clearer and there is as yet any adverse impact;
- The overall budget strategy.

3.18.2 A risk assessment is set out for Members within Appendix H as part of the CFO's statement on budget robustness, having due regard to the controls in place that will mitigate both the severity and likelihood of the risk happening. In arriving at the risks included, consideration has also been given to such factors as the:

- Lack of strategic oversight and future budget trends;
- Financial risks in any significant new funding partnership arrangements;
- The ongoing economic climate;
- The potential withdrawal of and/or reduction to grant funding;
- Treatment and delivery of savings;
- Level and timing of capital receipts;
- Arrangements for budget and financial management, including adequate financial controls, fraud and corruption, theft and loss;
- Adequacy of the authority's insurance arrangements;
- Impact of the loss of both general and specific grant;
- Overall financial standing of the authority;
- Capacity to manage in-year budget pressures;
- Failure to maximise income through Council Tax, Business Rates, external funding applications and investment in business cases with good returns;
- Failure to build strategic partnerships to mitigate cost and manage risks with partners such as the NHS, Police and local businesses;
- Failure to manage demand effectively.

3.18.3 The result of the assessment is that it is the view of the CFO that a sum of £2m continues to provide a sufficient revenue contingency to deal with any issues arising during the course of 2015/16, having regard to the level of risks and the mitigating factors, and taking into account the proposed additional budget provisions being established to provide sufficient capacity to absorb any adverse impacts arising under the new funding system. Any issues that have a longer term impact will need to be considered as part of the budget setting process for 2016/17 and beyond; the purpose of the Contingency Fund is to provide funds to address issues that impact specifically on that year.

3.18.4 The Constitution of the Council incorporates specific requirements in respect of budget virements and use of the contingency; full details are repeated in Appendix G for Members to note.

### **3.19 Budget Robustness/Reserves Position and Opportunity Cost**

3.19.1 The Local Government Act 2003 sets out requirements in respect of Financial Administration, and in particular to the robustness of the budget and the adequacy of General Fund reserves. The Act requires the CFO to report to an authority when it is making the statutory calculations required to determine its council tax or precept. The Act also suggests the advice should be given prior to the formal statutory calculation. This advice has therefore been given

to both Cabinet in formulating proposals and to members of Overview and Scrutiny in considering the proposals. The Act also gives the Secretary of State the power to specify a minimum level of reserves that an authority must provide for when setting its budget, although there have been no indications that the Secretary of State will use this power.

- 3.19.2 In line with the requirements of the Act, the formal report of the CFO is appended as Appendix H. The Council is required to take the report into account when making the calculations.
- 3.19.3 The Council's financial strategy sets out that the minimum level of General Fund reserves held will be £10m. Prior to making a final recommendation to Council, there is a need to further consider the current financial position for 2014/15 and its potential impact on reserves. Equally, the importance of retaining sufficient reserves has been emphasised by the variances that have arisen in service areas with large and volatile budgets and service demands, and with the impact of the economic climate within recent years.
- 3.19.4 After having regard to the consideration of the impact on reserves on the 2014/15 outturn, the existing reserves are likely to be sufficient to maintain this level. For information, this provides a level of reserves which gives limited cover for unforeseen circumstances that may have financial consequences, either one-off or across financial years.
- 3.19.5 The more detailed advice of the CFO in respect of reserves is also set out in Appendix H. This covers both the assessment of the level of reserves needed, and the opportunity cost arising from holding reserves.

### **3.20 Balance Sheet Position**

- 3.20.1 The focus of the revenue budget strategy is on the Council's income and expenditure. However, regard also needs to be given to key balances included in the Council's Balance Sheet. The Council faces a number of risks and uncertainties which can be mitigated by:
- Ensuring that it maintains an appropriate level of liquid resources, and
  - Maintaining an adequate level of general fund reserves and balances.

### **3.21 Liquidity**

- 3.21.1 The Council has historically held approximately £100 million in cash on average during the course of the year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given gross expenditure in the region of £600 million, this represents around two months of expenditure.
- 3.21.2 Average cash holdings have in fact changed considerably since the inception of the new funding system, including the localisation of business rates and Council tax support. As a result, the level of cash holdings is now running at a much higher level, although paradoxically, the level of returns potentially available from these holdings has reduced considerably.

3.21.3 The Treasury Management Strategy agreed by the Council at its annual budget setting meeting sets out the parameters for investment of this cash and includes the measures to be taken to ensure the creditworthiness of the Council's counterparties. The draft prudential indicators included in the Strategy also set out the limit for investments on terms of more than one year. In practice longer term lending is minimised to ensure that a high level of liquidity is maintained.

### **3.22 Earmarked Reserves**

3.22.1 An earmarked reserve is a sum set aside to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's accounts. The Council holds a number of these, the most significant of which are for the Corporate Transformation programme, funds to deliver strategic projects, insurance claims, capital bridge funding and invest to save resources.

3.22.2 The earmarked reserves are reviewed on a quarterly basis to ensure that they are still required. As a one off resource, any funds deemed to be surplus would be reallocated to support one off projects such as support to the capital programme, contributions to the pension fund or service initiative pump priming.

3.22.3 The Council's financial strategy precludes the use of reserves to finance known and ongoing financial liabilities, as this is the financially prudent approach required to ensure a stable financial position is achieved. Reserves can only be used once, and the Council's reserves have been established for specific purposes; their use as a one-off means of financing the Council's ongoing revenue budget falls outside the strategy previously approved by Council, and is not therefore recommended.

3.22.4 It is not proposed that any use should be made of existing earmarked reserves to support the Council's revenue budget, as this is not felt to be prudent and not in line with the Council's revenue budget strategy. As stated in the January report, the current advice of the Group Director Communities and Resources is that the existing level of general reserves can be considered to be adequate, but issues in previous years over adult social care spend, and the recent major reductions in grant funding and potential for further changes to the funding system, emphasise the need for prudence with the management of reserves.

### **3.23 Financial Prospects**

3.23.1 Previous reports to Cabinet have indicated the potential scale of the future budget gap over the next four year period, commencing in 2015/16. The September Cabinet report identified a potential funding gap of £45m over four years. The settlement for 2015/16 has proved to be consistent with the assumptions included in that assessment. The Council's financial strategy approved at that meeting aims to balance the budget over the first two years of that cycle. However, further savings will be required by year four of the cycle notwithstanding the impact of a further review of the settlement after the next general election.

- 3.23.2 Previous reports to Cabinet set out at some length the background to both the ABS and the LGFS, and a review of funding drivers within the current funding system. As Cabinet will be aware from those reports, the funding system is basically frozen until the end of the current decade. However, Havering is now seeing a significant change in its demographics, both in terms of property base and population. There is therefore a significant risk that Havering's central funding will become even more distanced from the needs of our local community, with an increasing reliance on Council Tax and Business Rates.
- 3.23.3 There is also a significant change in social care legislation, with the introduction of the Better Care Funding – BCF –stream (which was covered in the previous report to Cabinet). Whilst additional funding is being provided, it is far from clear what the financial effect of these changes will be, and whether the funding will match the financial consequences.
- 3.23.4 Havering is already disadvantaged by both the historic and current funding regime. This position will be worsened unless appropriate levels of funding are provided to match the new responsibilities the Council will be taking on, and to properly reflect both the change in demographics and associated needs of our local community. The potential impact of changes in demographics and demand for services is highlighted in section 3.11 of this report. Given that the current funding system is frozen, it is hard to see at this time how these changes will be reflected in Government funding; not the least because there appears to be an inevitability this will continue to reduce. This could potentially mean the financial impact of these changes will fall solely on local taxpayers.

### **3.24 Better Care Fund (BCF)**

- 3.24.1 Information about the Better Care Fund was set out in the report 'The Council's Financial Strategy' to Cabinet on 21<sup>st</sup> January 2015

### **3.25 Draft General Fund Budget 2015/16**

- 3.25.1 Based on the detailed budget proposals and other factors set out above, the Council's General Fund budget for 2015/16 will be as set out in Appendix E. This is summarised as follows:

	2014/15 £000	2015/16 £000
Havering's Services *	167,596	176,473
Levies	12,745	13,811
Total Expenditure	180,341	190,284
Unringfenced Grant	-14,786	-24,649
External Finance inc Collection Fund	-69,722	-64,324
Havering's Precept	95,833	101,311

\*The overall figure for Havering's Services include the reduction of £17.1m savings and an expenditure budget for the £24.6m unringfenced grants. The resulted overall increase is mainly due to the Better Care Fund allocation of £15.5m. This funding relates to new burdens for the Authority. It also includes one off monies generated by the Collection Fund surplus at £2.8m which due to the likelihood of unfavourable NNDR revaluations will set aside in reserves.

- 3.25.2 The budget has been produced on the basis of the factors set out in this report. The movement between this year and next is analysed as follows:

	£000
Pressures, demographic growth	4,153
Inflation	2,403
Levies	1,067
Savings	-17,130
Net change in provisions and other adjustments	4,968
Net reduction in Government funding/Collection Fund movement	10,017
<b>NET TOTAL</b>	<b>5,478</b>
Met by changes in Council Tax base	-5,478

### **3.26 Draft Schools' Budget 2015/16**

- 3.24.1 A summary of the Dedicated Schools Grant (DSG) for 2015/16 is set out earlier in this report and the relevant Appendix.
- 3.24.2 The Schools' budget is also set out in Appendix F and is summarised as follows:

Estimated Allocations	2014/15 £	2015/16 £
Estimated Total DSG to Education Providers	111,828,187	106,071,138
Estimated Total DSG to be Retained Centrally	11,238,813	11,870,562
<b>Total DSG Allocation</b>	<b>123,067,000</b>	<b>117,941,700</b>

### **3.27 Havering Council Tax Precept for 2015/16**

- 3.27.1 On the basis of the information set out in this report, including the levies being those as set out in Appendix D. **Havering's band D figure would increase to £1,219.**
- 3.27.2 A summary statement, along with further information to support the setting of Council Tax, is set out in Appendix E.

### **3.28 Expenditure Restriction by Government**

- 3.28.1 As set out in the previous report to Cabinet, the Government has made it clear that they intend to ensure that council tax payers are protected against Councils that reject the offer of the Council Tax freeze grant and impose what they consider to be "excessive" council tax rises.
- 3.28.2 As part of previous settlement announcements, a requirement was introduced for local authorities to undertake referenda should their proposed Council Tax rise exceed a pre-determined level. Any proposed rise in Council Tax at or above these levels would trigger a local referendum. The outcome is based on a simple majority of those voting, either in favour or against.
- 3.28.3 The level relating to Havering has been set at 2% or above. However, the Council is proposing an increase of 1.993% and as such falls under the limit. No referendum will be required if the Council sets an increase of this size.

### **3.29 Capital Programme**

- 3.29.1 The Council has historically approved a three year rolling Capital programme, with a detailed programme for the first year and an indicative programme for

the subsequent two years. The Programme has remained reliant on funding through the generation of capital receipts, although consideration had been given to a transitional process, with a gradual move towards the use of prudential borrowing to finance it.

- 3.29.2 Given the on-going financial climate, it is recommended that the Council's immediate budget strategy should not incorporate the use of prudential borrowing, with minor exceptions. It is therefore proposed that the Capital Programme for the foreseeable future should rely on the use of capital and Section 106 receipts and any sources of external funding only.
- 3.29.3 With this approach in mind, the proposed overall programme was submitted as part of the report to the previous Cabinet meeting covering the two year period 2015/16 and 2016/17. This report now includes a detailed schedule of schemes within the core programme for the coming financial year, 2015/16 for approval. These are included in Appendix I. Detailed schemes within the remaining year of the core programme will be brought forward at the appropriate time. This will reflect any changes in the forecast position with capital receipts, and other funding flows where appropriate.
- 3.29.4 There are also some other areas where grant funding has already been announced, or where a level of funding for 2015/16 could reasonably be assumed. The major area of funding is from Transport for London (TfL), where the Council has been awarded an overall sum of around £2.173m for next year. These grant areas are shown in Appendix I. Although these grants are allocated by individual Government departments, with a clear indication how they would expect these funds to be utilised, with the exception of the TfL funding – and consistently with revenue grants – these funds are un-ring-fenced.
- 3.29.5 The StreetCare lighting programme totalling £2.7m previously approved by Cabinet and funded from a short term interest free loan is also included within the programme. However, it should be noted that provision has been made within the revenue budget for the repayment of the loan.
- 3.29.6 To ensure that specific schemes can be progressed, and bearing in mind that the actual sums announced may differ from those shown, it is proposed to adopt a similar approach with capital grants as that proposed earlier in this report for revenue.
- 3.29.7 With this in mind, Cabinet is asked to approve the capital programme as set out in Annexes 2, 3 and 4 of Appendix I for 2015/16 and, for schools, for 2016/17.
- 3.29.8 It is proposed, to enable any specific schemes to proceed in a speedy and timely manner, that the relevant Lead Member after consultation with the Leader, be delegated authorised to commence tender processes and accept tenders for capital schemes that previously were agreed by Cabinet. Cabinet is asked to approve this as part of this report.
- 3.29.9 It is proposed to establish a capital contingency, of £3m, to accommodate new priorities which emerge during the year. This will be funded from surplus receipts which have not yet been allocated to schemes. It is proposed that the release of any of this contingency is delegated to the Group Director, Communities & Resources.

3.29.10 Cabinet are also asked to approve an updated Asset Management Plan for the period 2015 - 2019. The Asset Management Plan (AMP) is a document that sets out the Council's corporate vision on asset management, clarifies how this fits in with other Council strategies and sets out the policies that the Council adopts through its asset management activities. The full document is included at Appendix M.

### **3.30 Treasury Management Strategy**

3.30.1 The Council is required to agree annually a Treasury Management Strategy including the setting of borrowing limits, and to reaffirm the Council's Treasury Management Policy.

3.30.2 Given the importance of the Investment Policy, this is repeated below:

*"The Council will have regard to the (then) ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -*

- (a) The security of capital and*
- (b) The liquidity of its investments.*

*The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.*

*The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity."*

3.30.3 The Council's Strategy for investment of funds prior to use or held for contingencies is agreed by the Council as part of the budget-setting process. The Treasury Management Strategy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy are set out in a separate report to Cabinet that appears elsewhere on this agenda.

### **3.31 Greater London Authority**

3.31.1 The Greater London Authority (GLA) precept covers services of the Metropolitan Police, the London Fire and Emergency Planning Authority, the London Development Agency, as well as the core functions of the GLA and Transport for London.

3.31.2 This precept is outside of the control of the Council and as such does not form part of the strategy of the Council. The Council is concerned with the budget and level of Council Tax and of course lobbied to ensure any precept increases are reasonable and add value to the community of Havering.

3.31.3 The GLA budget was published for consultation in late December. The proposals set out the Mayor's plan to reduce the GLA precept for 2015/16 from the current level of £299 at band D to £295, a reduction of around £4 or 1.3%. The Mayor's final draft consolidated budget is due to be published on 28<sup>th</sup> January, the final budget proposals being considered at the Assembly meeting scheduled for 23<sup>rd</sup> February 2015.

## **Cabinet 11 February 2015**

3.31.4 As this meeting falls two weeks after the Cabinet meeting, any change from the Mayor's proposals will be advised to Members accordingly at Full Council.

### **3.32 Overall Council Tax for 2015/16**

3.32.1 The table below summarises the position:

	£	% Increase/ (Decrease)
Havering Precept	1,219.00	1.993%
GLA Precept	295.00	(1.3)%
<b>Total</b>	<b>1,514.00</b>	<b>1.326%</b>

### **3.33 Other Matters**

#### **3.33.1 Council Tax Bill**

The Council Tax bill will show the charges for Council services and the Greater London Authority. It must be served on or as soon as practicable after the day the Council Tax is set, and at least 14 days before the first instalment is due where the bill requires payment of instalments. Council Tax payers can now elect to pay by 12 monthly instalments, rather than just the current 10. In addition, the detailed supporting information can be provided online, rather than by default having to supply it in hard copy to taxpayers (although they can request a hard copy).

#### **3.33.2 Restriction on Voting**

Section 106 of the Local Government Finance Act 1992 imposes restrictions on voting in respect of any Member for whom any Council Tax has remained unpaid for at least two months. This affects voting (but not speaking) on any calculation required for the Council Tax and on any recommendation, resolution or other decision which might affect the making of any such calculation

While the decision on the level of Council Tax financially directly affects councillors and their families, and is therefore a financial interest, the Council's current Code of Conduct for Councillors provides a specific exemption to permit councillors to determine the level of Council Tax.

**Any Member in doubt as to the position may seek advice from the Group Director, Communities and Resources, or the Monitoring Officer, before the meeting.**

#### **3.33.3 Effect Of Council Procedure Rules**

A Member wishing to move an amendment to this report of Cabinet which is recommending the Council Tax to the Council must be mindful of the provisions in Council Procedure Rules:

Rule 11.8(a)

"An amendment to a motion/report at the annual Council tax setting must be submitted to the Chief Executive no later than 6 clear days before the Council



tax setting meeting, and must be such that the amendment would, if passed, in the view of the Chief Finance Officer enable a robust budget to be set”.

This means that **Midnight on Monday 16<sup>th</sup> February 2015** is the deadline for amendments to the Council Tax Setting and Budget Report.

Rule 11.8(b)

“Upon receipt of such amendment, the Chief Finance Officer shall consider whether it meets the “robust budget” test, and:

- (i) If it does meet the test, the Proper Officer shall include it on the agenda for the meeting.
- (ii) If it does not meet the test but the Chief Finance Officer considers that, duly altered, it will do so, that officer shall consult the proposers and, if they accept the alteration(s), the Proper Officer shall include it, as altered, on the agenda for the meeting.
- (iii) If it does not meet the test and the Chief Finance Officer considers that, whether or not altered, it will not do so, that officer shall refer the amendment to the Proper Officer who shall proceed with it as an improper amendment under Rule 11(3)(b).”

#### **3.33.4 Discount for Council Tax Payers Paying In Full**

The Council has agreed in the past, to offer a discount to Council Tax payers who pay their Council Tax in full. It is necessary for Cabinet to recommend Council to agree a specific resolution for this purpose or for any change proposed as the current assumption is that the discount remains at 1.5%. There are currently around 2500 Tax payers who take advantage of the discount. Cabinet should note that a similar discount is not permitted under business rate regulations.

#### **3.33.5 Resolution**

“Any Council Tax payer who is liable to pay an amount of Council Tax to the authority in respect to the year ending on 31<sup>st</sup> March 2016, who is served with a demand notice under Article 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 and who makes payment to the authority of the full balance of the estimated amount shown on that demand by 1<sup>st</sup> April 2015, may deduct a sum equivalent to 1.5% from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount”.

#### **3.33.5 Resolution for Council Tax**

The Council meeting in February will receive a resolution in the form required reflecting the recommendations of Cabinet.

#### **3.34. Housing Revenue Account**

- 3.34.1 The report on the HRA budget for 2015/16 appears elsewhere on the agenda. This includes both the revenue budget and the associated capital programme.

## REASONS & OPTIONS

### Reasons for the Decision

The Council is required to set a budget for 2015/16 and, as part of that process, undertake relevant consultation in respect of the proposals included within the budget.

### Alternative Options Considered

There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as alternative savings proposals, the totality of budgetary pressures and different levels of Council Tax.

## IMPLICATIONS & RISKS

### Financial Implications and Risks

The Council's budget-setting process will ensure that financial implications and risks are fully met. Any financial implications or risks are covered in this report as necessary. There are significant risks given the continuing degree of uncertainty over the future funding regime for local authorities, and a number of other changes planned by the Coalition Government, but the steps already taken by the Council should mitigate much of this. It will however be necessary to continually refine the financial forecasts underpinning the Council's budget to ensure that any necessary actions can be taken at the appropriate times, allowing for consultation as appropriate.

It has been made clear by the Government that the need for austerity within the public sector remains. This may now cover a longer period than previously envisaged. There is a risk that further reductions in funding may become necessary. This emphasises the need for ongoing prudence, whilst maintaining sufficient capacity within the Council's budget to respond to both external pressures and changes, balanced against the needs of the local community.

### Legal Implications and Risks

Under the Local Government Act 2003 calculation of the Council Tax to be levied and adoption of an annual budget must be carried out by full Council on the recommendation of the Leader and Cabinet.

When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at Appendix N.

When considering the budget, Council must take into account this report from the Chief Finance Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a statutory duty to set a lawfully balanced

budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

### **Human Resource Implications and Risks**

Any HR issues which occur as part of any change processes will be dealt with according to the Council's HR procedures and employment legislation, and will be subject to consultation with staff and their union representatives, as appropriate.

### **Equalities and Social Inclusion Implications and Risks**

The Equality Act 2010 requires public authorities to have due regard to the three aims of the Public Sector Equality Duty when exercising public functions (e.g. planning, delivering and re-designing services). The three aims of the Public Sector Equality Duty are to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity; and
- Foster good community relations between people who share any protected characteristics and those who do not.

The Council has a duty to act and is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. Currently there are nine protected characteristics (previously known as 'equality groups' or 'equality strands') covered under the Equality Act 2010; these being age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

The report includes Equality Impact Assessments (EIAs) for individual decisions being taken. Whilst the Council must demonstrate that, when making decisions, particularly in relation to budget proposals, it has discharged its Public Sector Equality Duty in relation to the groups protected by the Equality Act 2010, it must also consider the principles of relevance and proportionality. The Council must also comply with other relevant legal duties and statutory obligations such as the duty to set a balanced budget based on residents' priorities and changing needs, within a context of reduced central Government funding and a generally challenging economic climate. In making decisions, Members will therefore need to consider the individual EIAs alongside:

- Revised strategy guidelines and new legislation;
- Increasing demand for services, and
- The community's priorities for services.

The full EIA's can be found at Appendix O.

### **Background Papers**

Revenue monitoring report period 7 2014/15  
Revenue monitoring report period 8 2014/15