



## **CABINET**

**16/12/2015**

**Subject Heading:**

**The Council's Financial Strategy**

**Cabinet Member:**

**Cllr Roger Ramsey**

**CMT Lead:**

**Andrew Blake-Herbert**

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**Policy context:**

The Council is required to approve an annual budget and to establish a financial strategy and this report forms the latest phase of that process.

**Financial summary:**

This report updates Cabinet on the implications for Local Government of the Government's Autumn Statement.

**Is this a Key Decision?**

No

**Is this a Strategic Decision?**

No

**When should this matter be reviewed?**

January 2016

**Reviewing OSC:**

Value

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

Havering will be clean and its environment will be cared for

People will be safe, in their homes and in the community

Residents will be proud to live in Havering

## **SUMMARY**

The Chancellor of the Exchequer presented his Autumn Statement to the House of Commons on 25th November 2015. It built on the previous announcements made in the Summer Budget and provided details of the spending reductions facing government departments for the next parliament. In the second term of office, the

Chancellor is planning far deeper cuts than in any other major economy with Local Government at the forefront of any reductions.

The Local Government Financial Settlement (LGFS) is expected to be announced during the week commencing 14<sup>th</sup> December at which point the implications for Havering's financial strategy will be considered further. It is planned to present a detailed report to Cabinet on 20<sup>th</sup> January setting out the implications for Havering.

## RECOMMENDATIONS

Cabinet is asked to:

1. **Note** the Government's announcements affecting Local Government as set out in the Autumn Statement.
2. **Note** that a more detailed report will be made to Cabinet in January 2016 following the publication the Local Government Financial Settlement for 2016/17.
3. **Note** that Councils will be permitted to increase Council Tax levels by up to 2% to meet the increasing costs of Adult Social Care.
4. **Agree** to extend the budget consultation exercise to include consideration of an additional Council Tax increase of up to 2% for Adult Social Care.

## REPORT DETAIL

### 1. AUTUMN STATEMENT

- 1.1 The Autumn Statement was announced on 25<sup>th</sup> November. The main headlines affecting Local Government were as follows.
  - Overall resource savings for Local Government of around 28% by 2019-20.
  - The Better Care Fund to be expanded by £1.5bn nationally by 2020.
  - Local Authorities to be able to increase Council Tax by 2% for Adult Social Care.
  - Public Health budgets to decrease by 3.9% by 2020.
  - Reduction in the New Homes Bonus.
  - Extension to Small Business Rate Relief.
  - Ability to use capital receipts for specified revenue projects.
- 1.2 The implications of the Autumn Statement on the LGFS will be considered further in the January Cabinet report.
- 1.3 The Government have recognised the increasing cost pressures faced by Local Authorities responsible for Adult Social Care. Havering's budgetary pressures has been discussed at some length in previous reports to Cabinet. Cabinet may therefore wish to give serious consideration to the opportunity to

increase Council Tax by an additional 2% to meet additional Adult Social Care costs.

## **2. IMPLICATIONS FOR COUNCIL TAX**

- 2.1 The Council's financial strategy assumes increases of 1.99% per annum in Council Tax to be implemented over the life of the MTFs.
- 2.2 An additional Council Tax increase of up to 2% (approximately £24 per annum) may be levied in order to fund increasing Adult Social care costs.
- 2.3 As covered in the September cabinet report this year there will also be a reduction in Council Tax due to the precept to fund the Olympics dropping out in 16/17.

## **3. CONSULTATION**

- 3.1 It is recommended that the existing budget consultation be expanded to seek feedback on the possibility of increase Council Tax by up to 2% for Adult Social Care purposes.
- 3.2 The question to be included in the consultation is:

“In line with the Chancellor's autumn announcement of the potential to increase Council Tax by a further 2% to fund Social Services, would you be prepared to possibly pay an extra £0.47p per week to support the continued provision of care for vulnerable adults in Havering?  
(Figure based on Council Tax on a Band D property)”
- 3.3 This could be published the day after cabinet, with it being included on the Council's web site, and reference made on the next email bulletin that goes out. It is proposed to leave the consultation open for four weeks, so beyond the current consultation. This would mean it couldn't be considered at the January cabinet, but would be picked up in the February Council Tax setting cycle.
- 3.4 The Local Government Financial Settlement (LGFS) is expected to be announced during the week commencing 14<sup>th</sup> December at which point the implications for Havering's financial strategy for 2016/17 will become clearer. It is planned to present a detailed report to Cabinet on 20<sup>th</sup> January setting out the implications for Havering, and it will be in light of this and the outcome of the consultation that any final decisions on increases in Council Tax will be considered.

## **REASONS AND OPTIONS**

### **Reasons for the decision:**

It is essential that the Council's financial strategy takes due account of Government plans and any other material factors where these are likely to have an impact on the Council's financial position. This report represents a further significant step in

developing the Council's budget strategy for the next three years and reflects the expected continued Government approach of reduced levels of funding.

**Other options considered:**

None. The Constitution requires this as a step towards setting the Council's budget.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

The Council's budget process ensures that financial implications and risks are considered. There are continuing risks with the potential impact on funding arising from both the Budget and Comprehensive Spending Review (CSR) announcements, as highlighted in both this and the previous report to Cabinet. The Council has done much to mitigate these risks by setting out its plans in the Financial Strategy approved in November.

Further consideration of the implications for the Strategy and council tax levels will be included in the January report.

**Legal implications and risks:**

The Council is subject to a number of duties in relation to revenue, capital and procurement. For instance, as a Best Value Authority the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance Act 1999. The Council is also under an implied duty to set a balanced budget. Otherwise there are no apparent specific legal risks in adopting the recommendations set out in the report, providing appropriate consultation is carried out at all stages.

**Human Resources implications and risks:**

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner.

All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

**Equalities implications and risks:**

This report updates members on recent government announcements affecting Local Government funding and how these might impact the Council's medium term financial strategy.

## **Cabinet, 16 December 2015**

The Council faces significant challenges in achieving a balanced budget, not only in terms of funding reductions, but also in terms of the rising demand for services, brought about by Havering's increasing older demographic, as well as major national policy pressures such as the implications of the Care Act.

Where proposals affect staff, service users, or indeed the wider population, they will need to be thoroughly analysed for disproportionate negative impact, with mitigating actions identified to minimise any negative impact. All proposals will be subject to consultation with Councillors, staff, service users and the general public as appropriate before any final decisions are made. Where appropriate Equality Impact Assessment will also be provided at the point that decisions are made.

### **Other Risks:**

There are no particular other risks arising, other than a very short timescale to properly analyse the LGFS announcements whenever they eventually occur. This is being planned for but much of the detail will have to await the final announcements and publication

**BACKGROUND PAPERS**

There are none.