

## **EXTRACT FROM REPORT TO CABINET ON THE COUNCIL'S FINANCIAL STRATEGY, 20 JANUARY 2016**

Cabinet received reports on the 4th November 2015 and the 16th December 2015 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 November report set out the Council's financial strategy to manage the implications of funding reductions and cost pressures over the next three years. It contained specific proposals which would enable the Council to set a balanced budget for 2016/17 and 2017/18 but would leave a shortfall of £2.4 m in 2018/19.

The December report provided some initial feedback on the Governments Autumn Statement and in particular sought the Cabinet's views on the proposal to give Councils the power to raise an additional 2% in Council Tax precept for the sole purposes of funding Adult Social Care.

### **RECOMMENDATIONS**

That Cabinet:

1. **Recommend to Full Council** that the CTS Scheme 2016 is approved. (appendices D, E, F apply)

### **REPORT DETAIL**

#### **1. INTRODUCTION**

- 1.1. The approved financial strategy assumes an increase of 1.97% in Council Tax, although no decisions about Council tax levels will be made until the February Cabinet meeting. This proposal should be seen in the context of the overall financial strategy and the pressures faced by the Council to reduce expenditure and the consequential pressure on service priorities.
- 1.2. As reported to Cabinet in December the 2016/17 settlement enables Council's to levy an additional 2% precept in Council Tax specifically for the purposes of funding the increasing cost pressures in Adult Social Care.

#### **2. THE AUTUMN BUDGET STATEMENT, THE SETTLEMENT AND GENERAL FINANCIAL PROSPECTS**

##### **Autumn Budget Statement (ABS)**

- 2.1. The Chancellor of the Exchequer presented his Autumn Statement to the House of Commons on 25<sup>th</sup> November 2015. The ABS has had considerable

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national exposure since its announcement, through the national press and from various national organisations. The underlying message of deficit reduction continues; however the government plans of a surplus in its spending by 2019/20 still exists.

### **Council Tax Base**

- 2.7. The estimated base for next year has been set at 85,474. The calculation includes a reduction in the provision for bad debt and a significant increase in new properties since last year's tax base calculation. Further reduction in the number of people claiming council tax support has also contributed.
- 2.8. This is higher than previously assumed, and gives an increase of 2.8% in the tax base compared with the assumed level of 1%. This should result in an additional approximate £1.9m of income.

### **Local Council Tax Support Scheme**

- 5.51 The Local Council Tax Support Scheme (CTS) was revised with effect from April 2015 as a result of reductions in the settlement funding for 2015/16 which included the rolled-in CTS scheme grant.
- 5.52 It is the intention to maintain the same CTS Scheme in 2016/17 as for 2015/16 however a challenge was made to the Court seeking a review of the scheme. In June 2015, permission was given for a Judicial Review of the CTS Scheme which was heard at the High Court in September 2015.
- 5.53 The CTS claimant who challenged the scheme at Judicial Review was an individual with disabilities who received maximum CTS in 2015/16 which discharged 85% of their council tax bill. The remaining 15% of council tax was discharged by a discretionary payment made under S13 (A)(1)(c) of the Local Government Finance Act 1992 therefore, the CTS claimant had no council tax to pay in 2015/16.
- 5.54 The issues in the Judicial Review centred on equalities, age and disability discrimination. These matters were considered in detail by the High Court in September 2015.
- 5.55 The outcome of the Judicial Review has now been released and the High Court Judge concluded that:
  - There was no discrimination on the grounds of age or disability.
  - While the Equalities Impact Assessment was not defective, there was insufficient evidence to conclude that due regard was given to the Public Sector Equalities Duty.

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- 5.56 In accordance with Schedule 1A of the Local Government Finance Act 1992, Council is asked to consider the current CTS scheme and agree its continuation through to 2016/17.
- 5.57 A summary of the draft CTS Scheme 2016 which is the same as the current CTS Scheme is appended to this report at Appendix E. A full version of the draft CTS scheme 2016 can also be found online at:  
[www.havering.gov.uk/Pages/Category/Council-tax-support.aspx](http://www.havering.gov.uk/Pages/Category/Council-tax-support.aspx)
- 5.58 The Equalities Impact Assessment (EIA) for 2015 has been reviewed and is attached at Appendix D. While the CTS Scheme was revised in 2015 to make all working age claimants liable for 15% of their Council Tax, there does not appear to be an adverse inference on this group. Council Tax collection rates remain comparable to 2014/15 which implies that working age CTS claimants are paying their Council Tax. However, an EIA for 2016 has also been prepared and is attached at Appendix F for Members' perusal.
- 5.59 While the CTS Scheme is designed to assist people on low income pay their Council Tax, further discretionary assistance can be considered for those who cannot pay the remaining balance of their council tax bill.

### **Equalities Implications:**

- 5.60 The existing Council Tax Support (CTS) Scheme 2015 assists many people on low income pay their Council Tax bills and it is proposed that the same Scheme continues to be used in 2016/17.
- 5.61 Equalities Impact Assessments for 2015 and 2016 along with the Council Tax Support 2016 Summary are attached at Appendix D, E and F for consideration. A number of actions have been identified and taken to mitigate the impact of the Scheme which are contained within these Assessments.
- 5.62 While the CTS Scheme is designed to assist people on low income pay their Council Tax, further discretionary assistance can be considered for those who cannot pay the remaining balance of their council tax bill.

### **Voluntary Grants and Commissioning Review**

- 5.63 An update on the review of Voluntary Grants including an update on the savings to be achieved is included at Appendix G.

## **5. EXPENDITURE RESTRICTIONS AND BUDGET ROBUSTNESS**

### **Expenditure Restriction by Government**

- 6.1 The Government has previously stated that it will use its capping powers where necessary. As part of the settlement announcement last year, and following on from previous announcements, a referendum process would be triggered if the Council set a Council Tax increase of 2% or higher.

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6.2 The latest settlement enables an additional increase of up to 2% to be levied for Adult Social Care precept. This does not require a referendum.

## 7 FINANCIAL STRATEGY

8.1 At the meeting of 4th November 2015 Cabinet approved its long term financial strategy for the three year period commencing 2016/2017. The revised financial model is set out below and incorporates a number of significant changes which have arisen since that time.

	16/17 £000's	17/18 £000's	18/19 £000's	Total £000's
	£'m	£'m	£'m	£'m
Original Budget Gap	0	0	2.4	2.4
<b>Pressures</b>				
RSG Reduction	4.7	2.4	-0.6	6.4
Apprenticeships		0.5		0.5
Housing Pressures - homelessness	1.3	0.9	0.9	3.0
Adults - demographic pressures	3.0	2.0	2.0	7.0
Additional Pressures	0.4			0.4
<b>Unachievable Savings:</b>				0.0
Private sector leasing and other housing	0.2	0.2	0.2	0.5
<b>Loss in Grants:</b>				
ESG reduction	0.3			0.3
<b>Re-phasing Previous savings items</b>				0.0
Interest on borrowing delay 1 year	0.9	-0.9		0.0
delay reduction in Contingency	1.0		-1.0	0.0
<b>Additional Income:</b>				0.0
Adult Social Care (2%) precept	-2.1	-2.0	-2.0	-6.1
Council Tax Base	-2.0	0.0	0.0	-2.0
New Homes Bonus	-2.1		2.1	0.0
				0.0
<b>Revised Budget Gap</b>	<b>5.6</b>	<b>2.9</b>	<b>4.0</b>	<b>12.5</b>

### **Additional Income**

7.2.1 As explained in the December report to Cabinet the Council may increase Council Tax by an additional 2% precept to meet the growing cost of Adult Social care. The Government have also built an assumed increase of 2% per annum in their assessment of the Council's spending powers; used to calculate the level of cuts. Given this assumption and the pressures faced by the Council the precept has been built into the model although the final decision will rest with full Council.

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- 7.2.2 The increase in Council Tax base reflects the growth in the number of properties in the borough.
- 7.2.3 As discussed in paragraph 2 above the government have announced the New Homes Bonus for 2016/17 as £6.9m. The additional grant will be included in the draft budget although this is expected to reduce in future years.
- 7.2.4 It is recommended that consideration of further savings proposals and the possible use of reserves be included in the February Council Tax report.

## **10. SUMMARY OF FINANCIAL POSITION**

- 10.1 Based on the factors that are set out in this report, the Council will need to make additional savings of approximately £12.5m in order to balance its financial strategy over the next three years. Of this sum £5.6m will need to be found as part of the budget setting process for 2016/17.
- 10.2 The financial strategy included an assumption that the Council will increase Council Tax by 1.97% in 2016/17. The budget is being developed with that assumption in mind. The Government have also allowed Councils to increase Council Tax by a further 2% precept in order to meet the growing costs of Adult Social Care. This increase has also been assumed within the updated model and by the government in allocating funding cuts. Final decisions about Council Tax increases will not be made until the February Cabinet meeting.

## **12. GREATER LONDON AUTHORITY (GLA)**

- 12.1 The announcement of the Mayor's draft budget proposals were made on 21<sup>st</sup> December. This indicated an intention to make a slight reduction in the GLA's Council Tax level, from the current £295 to £276 – a reduction of £19, or around 6.44%. Consultation on the budget proposals ends on 12<sup>th</sup> January. The final draft budget proposals will be considered by the London Assembly on 27<sup>th</sup> January and the budget is due to be approved by 28<sup>th</sup> February.
- 12.2 The Mayor's draft budget consists of – Mayor's Office for Policing and Crime, Transport for London, London Fire and Emergency Planning Authority, the London Legacy Development Corporation and core Greater London Authority. The total budget (capital and revenue) is £16.2 billion.
- 12.3 The Mayor's 2016/17 draft net revenue expenditure budget is £4,755 million. Under the proposal the total GLA precept will be cut from £295 a year to £276 (for a Band D household). The Mayor's proposed council tax precept draft budget comprises of £206.79 to support the Mayor's Office for Policing & Crime (principally the Metropolitan Police), £50.35 for the London Fire Brigade, £14.63 for the Mayor and GLA assembly and £4.23 for transport and other services.
- 12.4 The Mayor's 2015/16 budget assumptions assumed the removal of the Olympic Levy (£12 for Band D equivalent) and this is included in the proposed reduction of £19 for 2016/17.

