



CABINET

10 FEBRUARY 2016

Subject Heading:

THE COUNCIL'S BUDGET 2016/17

Cabinet Member:

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CMT Lead:

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Policy context:

The Council is required to approve an annual budget and this report sets out the proposed budget for 2016/17 and includes recommendations to Council for the formal budget-setting process and setting a Council Tax increase of 1.99% (plus a 2.00% Adult Social Care precept) for the Havering element of Council Tax. This report deals with the overall budget position and sets out the detailed proposals for 2016/17 and recommends to Council the Council Tax level at band D as £1,267.64, before inclusion of the GLA precept.

Financial summary:

Is this a Key Decision?

No

Is this a Strategic Decision?

Yes

When should this matter be reviewed?

In 6 months

Reviewing OSC:

Overview & Scrutiny Board

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

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

**ALL MEMBERS ARE ASKED TO RETAIN THIS REPORT AND ITS
APPENDICES FOR REFERENCE AT THE COUNCIL TAX MEETING
ON 24 FEBRUARY 2016**

SUMMARY

This report outlines the context within which the 2016/17 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 November and 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 also set out the Council's long term financial strategy to manage the implications of funding reductions and cost pressures over the next three years. It contained specific proposals to bridge the funding gap for the next two years, but left a funding gap of £2.4m in 2018/19 which required further steps to be taken in order to close that gap.

A further report was made to Cabinet on 20 January 2016 which updated Members on the Local Government Financial Settlement, the impact on the proposed financial strategy for the coming financial year and the latest in year financial monitor. The report advised Cabinet that the three year funding gap had increased from £2.4m to £12.5m including £5.6m relating to 2016/17. The draft strategy recommended in this report includes a range of additional measures which are intended to bridge the gap for 2016/17. Further reports will be made to Cabinet during the course of 2016/17 to consider the options for bridging the gap for the financial year 2017/18 and beyond.

The current position is that there would be an increase in the Havering element of the Council Tax of 1.99% plus a 2.00% precept for Adult Social Care.

Final confirmation of the Greater London Authority (GLA) precept is expected at the meeting of the London Assembly on 22 February 2016. The Mayor has proposed a reduction in the current precept, as previously advised to Cabinet, and this has been the subject of a similar 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, the combined band D figure would increase to £1,543.64 an increase of 1.96%.

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, statutory requirements, government initiatives, inspection regimes and Council Tax levels:

1. **Considers** the advice of the Chief Finance Officer as set out in **Appendix H** when recommending the Council budget.
2. **Approves** the following budgets for 2016/17:
 - 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 Paragraph 3.28 and **Appendix I**,
3. **Delegates** to the Chief Executive and Deputy Chief Executives the implementation of the 2016/17 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities are required as detailed.
4. **Agrees** that the Deputy Chief Executive Communities and Resources be authorised to allocate funding from the Capital contingency included within the draft capital programme.
5. **Agree** that the relevant Cabinet Member, together with the Leader, be delegated authority to commence tender processes and accept tenders for capital schemes included within the approved capital programme.
6. **Agrees** that to facilitate the usage of unringfenced resources, the Chief Executive and Deputy Chief Executives will review any such new funds allocated to Havering; make proposals for their use; and get it approved by the Leader and the Cabinet Member for Financial Management.
7. **Delegates** to the Chief Executive and Deputy Chief Executives 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. **Approves** the schedule of Fees and Charges set out in **Appendix K**, with any recommended changes in year being implemented under Cabinet Member delegation.
9. **Agrees** 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 24th February 2016.

That in addition, Cabinet Recommends to Council:

10. The General Fund budget for 2016/17
 - 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 2016/17, as set out in **Appendix F**.
 - The Capital Programme for 2016/17 as set out in paragraph 3.28 and supported by Annexes 2, 3 and 4 of **Appendix I**.
11. That it pass a resolution as set out in section 3.32.5 of this report to enable Council Tax discounts to be given at the existing level

REPORT DETAIL

This report is split into the following parts:

1. Overall Policy Direction and Strategy.
2. Consultation and the Overview and Scrutiny Committees.
3. Havering's Revenue Budget and Council Tax.
4. Capital Programme.
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 and income generation proposals agreed by Cabinet in November 2015 and December 2015. These proposals were the subject to a budget consultation exercise which concluded at the end of January 2016. Initial results were reported to Cabinet on 20 January whilst the feedback on the question

relating to the 2% Adult Social Care precept is included in this report. As such these budget proposals continue to reflect the local priorities as defined by the Administration in the light of a range of factors, including the results of recent public consultation exercises (notably nearly 12,000 responses to 2011's Your Council Your Say survey, 7,500 responses to 2012's Spring Clean survey and over 4,000 responses to the 2014 iteration of the Your Council, Your Say survey); the general economic climate; the outcome of the Comprehensive Spending Review (CSR); successive Autumn Budget Statements (ABS); the Local Government Financial Settlement (LGFS); and the future prospects for public sector funding.

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.

1.5 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.

1.6 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 B**, as they underpin the approach taken to setting the Council's revenue and capital budgets.

1.7 It is important for the Council that our financial strategy continues the success achieved in recent years and the thrust therefore continues to ensure that it:

- Reflects the economic climate and the need for financial prudence;
- Ensures the level of reserves are 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 further 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;

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- Manages risk and uses risk assessment to inform decision making;
- Ensures all projects are adequately funded and resourced.

Partnership Working

- 1.8 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.
- 1.9 The Council has established oneSource, a partnership with Newham Council; a joint committee designed to provide back office functions more efficiently. More recently Bexley Council has agreed to join oneSource with affect from April 2016. Significant levels of savings are expected to be achieved through shared Management, ICT and procurement. These savings are reflected in the Council's financial strategy.

Economic Climate

- 1.10 Cabinet will be aware of the general economic climate and in particular the consequential impact on Government spending plans. Markets have recovered in recent years but remain sensitive to external pressures. Financial markets have fallen back in recent months in the wake of global economic and political issues. Interest rates have reached unprecedented lows and the prospect of an early increase has once again receded, whilst inflation has also fallen to historically low levels. 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.
- 1.11 In setting the budget for 2016/17, it is essential to bear these general economic factors in mind. The Government's Autumn Budget Statement and the subsequent Local Government Financial Settlement set out the level of cuts expected for the four year period commencing 2016/17.

Conclusions

- 1.12 Due to the later changes in the way Revenue Support grants reductions have been allocated, Havering will experience a rapid reduction in its grant settlement over the four year period up to 2019/20, with a large element of this front loaded in the early years. This will inevitably place severe restrictions on the resources available for services and will place further pressure on the Council to balance its financial strategy over that period.
- 1.13 The proposals in this report will enable the Council to balance its budget for 2016/17. Additional steps will be needed to address the funding gap in future years and this will be the subject of further reports to Cabinet later in the year.
- 1.14 The aim of the budget 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 2014.

2.1.2 A budget consultation was launched following the approval of the financial strategy by Cabinet on 4 November 2015. Cabinet considered a further report on 16th December 2015 at which point it was agreed to expand the consultation in order to seek feedback on the possibility of increasing Council Tax by up to 2% for the potential Adult Social Care precept.

2.1.3 The first consultation has closed and the overall response was reported to Cabinet on 20th January. The results are summarised below:

- 69% of respondents agree with the overall direction of the budget strategy.
- 68% agree with limiting general household waste to 3 sacks, to protect weekly bin collection.
- Respondents top 3 or as it was joint top 4 service areas, are as follows in order:
 - Crime Reduction and Public Safety
 - Cleaning and Streets
 - Road and Pavement Repairs
 - Rubbish and Recycling
- Only 40% of respondents wanted to increase Council Tax for the 2% Adult Social Care precept although this will be considered further in the additional consultation.

2.1.4 The consultation on the adult social care precept remains open at the time of writing this report but the results will be known in time for the February Council Tax report. An oral update will be given to Cabinet on 10 February.

2.2 Overview and Scrutiny Board

2.2.1 The proposals to amend the budget savings options were due to be considered by Overview and Scrutiny Board on 3 February 2016. 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 consultation on the budget proposals, set out below are the issues and factors taken into account in developing the 2016/17

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 3.30.

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 As set out in the previous report to Cabinet, the provisional settlement was announced on 17 December 2015. The key elements of the provisional settlement, and a comparison against the current funding level, indicates the following:

- A new methodology has been developed for allocating reductions in Government Grant which impacts those authorities like Havering who are significantly funded through council tax. This change in methodology was unexpected.
- There is an average increase in “spending power” nationally of 2.6% by 2019/20 assuming all authorities increase council tax, take up the adult social care precept and see significant growth in authorities tax-bases;
- Excluding the assumptions on Council Tax, there is a 31.8% reduction in core funding which includes a reduction in RSG of over 75% nationally;
- Havering’s financial settlement including RSG has fallen by £10.8m (or 17%) for 2016/17 and by £30.8m (96%) by 2019/20. This would leave Havering with only £1.3m in RSG by 2019/20.
- It is highly likely that once business rates is localised further, Havering’s RSG will be removed and/or Havering would be required to receive a lower top-up grant or pay a tariff over to Government to compensate.
- There have been significant changes in New Homes Bonus post 2016/17 with a national reduction of £800m to fund the improved Better Care Fund (BCF).

3.2.2 The final settlement is expected during the first half of February, so this is likely to be too late for this report. Should that prove to be the case, a supplementary paper will be issued, unless the final settlement is actually released after the meeting. Should that occur, then the relevant information will be included in the report to Council.

3.2.3 The Council submitted a written response to the consultation on the provisional financial settlement and this response is included as part of **Appendix C**.

3.2.4 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.

3.3 Specific Grants

3.3.1 The Council receives a reducing number of specific grants outside of the general grant. These 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 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.

3.3.3 To facilitate the usage of these unringfenced resources, it is proposed that the Chief Executive and Deputy Chief Executives review any such funds allocated to Havering and make proposals for their use for approval by the Leader and 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 Deputy Chief Executives 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 2016-17 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)
2016-17	4,728.70	168.03	3,979.94	10.85	19.31	0.051	198.249
2015-16	4,726.54	166.10	3,979.94	10.85	18.98	0.052	195.984

Notes:

1. All of the above figures are before recoupment by the DfE for pupils attending academies, non maintained special schools and post 16 special educational need provision.
2. The Early Years block will be recalculated based on the January 2016 and 2017 early years census.
3. The only funding remaining in the Additions block in 2016-17 is for the training of Newly Qualified Teachers.

3.4.2 New school funding arrangements were introduced by the DfE in 2013-14 in advance of implementation of a national funding formula which is planned for 2017-18. The intention is to achieve greater transparency on funding through a system where every pupil will attract the same basic level of funding

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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 2016-17 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 recoupment is summarised as follows:

	2015-16 £000	2016-17 £000
Total DSG	195,984	198,249
Schools Block (inc £0.052m NQT addition)	166,153	168,081
Schools Block Academy Recoupment	-75,006	-75,465
Transfer to High Needs Block	0	-1,300
Balance for LA Schools & Centrally Held	91,147	91,316
Early Years Block	10,850	10,850
Transfer to High Needs Block	0	-100
High Needs Block	18,981	19,318
High Needs Academy Recoupment	-1,075	-1,364
Transfer from Schools & Early Yrs Blocks	0	1,400
Total for LA Schools, Early Years providers & Centrally Held	119,903	121,420

Notes

1. The above amounts are based on figures released by the DfE to include academies prior to 1st January 2016.
2. The allocation through the Early Years block will be updated for both years based on the January 2016 census and for 2016-17 updated again before year end based on the January 2017 census.

Education Services Grant

3.4.5 The Education Services Grant (ESG) was introduced by the DfE in 2013-14. The grant is calculated on a per pupil basis according to the number of pupils for whom a local authority or academy is responsible. The ESG funding rate has been reduced from £116.46 per pupil in 2013-14 to £87 per pupil in 2015-16. An additional £15 per pupil is allocated to LAs regardless of whether they are on the roll of a school or an academy. In the Government Spending Review and Autumn Statement 2015 a phasing out of the ESG was announced to save £600 million and as a step towards that, the funding rate per pupil has been reduced by £10 in 2016-17 to £77.

3.4.6 The initial allocation for Havering for 2016-17 is £2,336,243 compared to an initial allocation of £2,583,311 in 2015-16, a reduction of £247,068. This takes into account the reduction in the rate per pupil and the conversion of two schools during 2015-16 to academy status.

3.4.7 The above figures reflect the number of pupils attending schools and academies as at October 2016. 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 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.

- 3.4.8 To address some of this grant reduction significant work 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 some of grant, although it is currently unclear as to how much this will generate. 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.
- 3.4.9 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, the music service 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 April 2013. We await confirmation of the 2016/17 allocation at the time of preparing this report. At this stage Havering's allocation for 2016/17 has not been released however based upon earlier announcements a national reduction of 3.9% a year could be seen. In 2015/16 Havering received £11.089m in respect of core public health grant as well as a part year allocation for 0-5's funding. However, a reduction in the level of funding is expected based upon earlier announcements. 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 With this in mind, a draft spending plan was being developed for the 2016/17 grant, for consultation with the Health & Wellbeing Board, with authority to approve the final plan being delegated to the Cabinet Member for Adult Social Services and Health and Value as agreed in the 20 January 2016 Cabinet meeting.

3.6 Council Tax

- 3.6.1 From 2016/17, referendum limits remain the same at 2% however council tax freeze grants have now ceased. All of the previous freeze grants allocations have now been rolled into Settlement Funding Allocation. As these grants have now been rolled into the formula, these have, and will potentially continue to reduce in line with Government's spending reductions.

3.7 New Homes Bonus (NHB)

- 3.7.1 As part of the settlement announcement, a consultation on the continuation of the New Homes Bonus was released. The aim of the changes to the New Homes Bonus is to "sharpen the incentive" as well as to save £800m in order to partially fund the improved Better Care Fund (BCF).

3.7.2 Havering's allocation for 16/17 is £7m however it is assumed this will reduce by £3m based on the Government preferred option. This is assumed Havering's increase in new properties continues at its current rate. In order to achieve the reductions of £800m, the government have identified the follow changes in order to generate the saving and to "sharpen the incentive"

- Reduce the number of years the grant is payable
- Withhold funding if no local plans are produced
- Reducing payment on homes on appeal
- Introduce a national baseline or deadweight possibly set at 0.25% (therefore authorities would need to grow their taxbase by at least 0.25% to see any funding in NHB)

3.8 General Inflation

3.8.1 The previous report to Cabinet set out in some detail the broad approach being adopted. In essence, provision is being made for pay awards in line with Government announcements at 1% per annum whilst provision for inflationary rises in contracted services and income reflect the relevant circumstances in each case. Contract inflation is now budgeted at 2% per annum and income at 1%.

3.9 Payments to External Bodies

3.9.1 Details of the proposed contributions for 2016/17 for concessionary fares and the Taxicard scheme were discussed in the previous report to Cabinet. The concessionary fares contribution is now confirmed as £8.223m, an increase of £170,000 from 2015/16. 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 24 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 £113k and £245k respectively.

3.10 Transformation Funding

3.10.1 As set out in previous reports to Cabinet, the aim of this is to provide funding to enable the Council to deliver a sustained transformation programme, the original base budget includes provision of £1m, although it is planned to reduce this to £0.5m in future years. Given the potential scale of the 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 one off contributions held as earmarked 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. Given the increasing budgetary pressures and in particular the need to bridge the 2016/17 funding gap from the general reserve the scope for setting aside further sums may be limited.

3.11 Demographic Growth

- 3.11.1 Cabinet will be aware from previous reports that of the impact of changes in demography on the level of demand for Council services. The aging population demographic has led to an increase in demand for adult social care; a trend which is expected to continue over the coming years. However, the impact of change is far reaching and other services such as homelessness and Children's services are also experiencing unprecedented growing demands for services.
- 3.11.2 In response to recognisable demands and budgetary pressures the draft financial strategy includes provision to increase the budget by a further £3m for Adult Social Care and £1.3m for general fund housing services. As discussed elsewhere in the report, the Government has gone some way in recognising these pressures at a national level by enabling Councils to levy an additional Council Tax precept of 2% for Adult Social Care.

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 report is due to be approved at the board meeting on 8th February 2016.
- 3.12.3 Havering's estimated levy for 2016/17 is £13.823m. If confirmed, it will represent an increase of 6.1%, or £0.8m. Subject to final notification by the Authority, the approved sum will be reflected in the draft budget for 2016/17.
- 3.12.4 For planning purposes, a nominal increase of £10k for the remaining levies has been anticipated. The final figures are dependent on the Council Tax base for each funding authority, so the provisional levies for 2016/17 are currently awaited. The figures included in the Council Tax statement are therefore estimates.

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 in excess of £200m each year from Business Rates and Council Tax of which approximately £129m 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

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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 It is assumed that Havering's business rate yield for 2016/17 will be in region of £22m. This is dependent on the NNDR 1 return which is due to be completed by the end of January which is too soon for this report however it will be included in the report to council. 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 if appealed before the 1 April 2015 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 2015/16 position in order to fund any anticipated surplus or deficit in the 2016/17 budget. Current estimates on the fund identify a deficit of £6.2m of which Havering's 30% share is £1.9m, which has been 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 of around £5m has been included in the budget 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 2016/17 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 £3.8m, which is reflected in the overall budget and Council Tax statement. Given the risks associated with the levels of outstanding appeals, the position on NNDR and 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 2016/17, the base will be 85,474. In addition based on an improved collection the bad debt provision has decreased to 1.5% (from 2%)

3.14 Financial Strategy – Additional Budget Savings and Adjustments

- 3.14.1 At the meeting of 4 November 2015 Cabinet approved its long term financial strategy for the three year period commencing from 2016/17. A further report was considered by Cabinet on 20 January 2016 which considered the impact of additional budget pressures and the Local Government Financial settlement. Further steps are required to be taken prior to the approval of the 2016/17 budget and a number of recommendations are included in this report.
- 3.14.2 The outcome of the Local Government Financial Settlement was discussed at some length in the previous report of 20 January 2016 and are summarised in para 2 above. A number of additional measures are required to balance the budget in 2016/17 and these are discussed at paragraph 3.24 below.
- 3.14.3 The budget proposals which have been open for 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 3.99% including the Adult Social Care Precept of 2.00% which is in line with the strategy approved by Cabinet on 20 January.

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 2016 Cabinet report set out a summary of the position at period 7 (October) and this indicated an overall overspend of around £4.6m 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 2015. This is an exception-only report; the period 8 report shows a further increase to around £5.6m. These forecasts take no account of the position around the Collection Fund and corporate provisions.
- 3.15.3 The latest report shows a number of adverse movements since period 7, 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, and Corporate Provisions created to provide a buffer against specific adverse pressures are also available to compensate for these service overspends. As a consequence, it is expected that the service overspends will be contained within the overall revenue budget without drawing from general reserves.
- 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 have been increased by 1% in line with the budget guidance, though in some areas these fees are set by Central Government and are outside the Council's control. A complete Schedule of Fees and Charges is set out in **Appendix K** and is presented to Cabinet for approval as part of the 2016/17 budget.
- 3.16.2 Fees and Charges continue to be reviewed and amendments made in line with strategic priorities and the results of the consultation process for services to be paid for at the point of delivery, rather than through Council Tax increases.

3.17 Members Allowances Scheme

- 3.17.1 The proposed Scheme for 2016/17 is being prepared concurrently with this budget report for consideration and approval by Council on 24 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 2016/17 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 has yet to be any material 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:

- 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;
- 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.

3.18.3 The result of the assessment is that it is the view of the CFO that a sum of £2m continues to be required in the base budget to provide a sufficient revenue contingency to deal with any issues arising during the course of 2016/17, 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 2017/18 and beyond; the purpose of the Contingency Fund is to provide funds to address issues that impact specifically on that year. However, the draft financial strategy includes an assumption that the contingency will reduce to £1m in 2018/19 as events become more certain.

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 2015/16 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 2015/16 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 held approximately £200 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 four months of expenditure.

3.21.2 The level of return achieved on these cash deposits is low by historic standards and the likelihood of an increase in interest rates in the short term is now receding.

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 planned 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 is the Corporate Transformation programme. Other funds are earmarked 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 Deputy Chief Executive Communities and Resources is that a general reserve of £10m can be considered to be adequate, but service pressures in both childrens and adult social care in particular, 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. Further consideration of the general reserve is included at 3.24 below.

3.23 Financial Prospects

3.23.1 The previous report to Cabinet indicated a potential funding gap of £12.5m over the three year period, commencing in 2016/17. Additional savings proposals of £5.6m are included in this report which if accepted will balance the position for 2016/17. A further report will be made to Cabinet during the year in order to consider further proposals aimed at balancing the three year strategy.

3.23.2 It also worth noting that the current budget strategy carries with it a significant level of budgetary risk. In addition to the measures set out in this report, Cabinet has already approved a range of measures aimed at delivering savings totalling £24m over the period 2016/17 to 2017/18. Any slippage in achieving these measures will simply create greater ongoing pressure.

3.23.3 Previous reports to Cabinet set out at some length the background to both the Annual Budget Statement and the Local Government Financial Settlement, 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 experiencing 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. The latest Grant settlement is offered on a four year basis which would create some certainty, albeit on the basis of the reducing grant allocations as reflected in the budget model.

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 continued grant reductions and indicative four year settlement, it is hard to see how these changes will be reflected in Government funding; not the least because there appears to be inevitability this will continue to reduce. This will almost inevitably mean that the financial impact of these changes will fall solely on local taxpayers.

3.24 Draft General Fund Budget 2016/17

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- 3.24.1 The previous report to Cabinet set out a revised financial strategy for the period from 2016/17 to 2018/19 identifying a funding gap of £12.46m over that term. This included a gap of £5.62m in 2016/17 which must be met as part of the budget setting process for the coming year. The table below and narrative summarise the proposals for bridging the gap for 2016/17 and updates the funding gap for 2017/18 and 2018/19. Proposals for bridging the remaining gap of £6.75m for those two years will be the subject of further reports to Cabinet later in the year.
- 3.24.2 The table assumes that Council Tax increases of 3.99% (including the Adult Social Care Precept of 2.00%) will continue to be applied in 2017/18 and 2018/19. If these increases are not applied the funding gap will increase by £7.8m to £14.5m and further savings options will need to be developed. These decisions will form part of the budget setting process for those two years.

	16/17 £000's	17/18 £000's	18/19 £000's	Total £000's
	£'m	£'m	£'m	£'m
Budget Gap as reported on 20th Jan	5.62	2.86	3.98	12.46
Re-phasing of savings previously approved on 4 November 2015	-0.30	-0.74	1.04	0.00
New Savings or Income Generation	-1.90	-0.40		-2.30
Re-phasing of Pension Contributions	-0.75	-0.75	-0.75	-2.25
Other Adjustments	-1.22	0.05		-1.17
Use of reserves	-1.46	1.46		0.00
Revised Budget Gap	0.00	2.48	4.27	6.75

If the Council decided not to levy a 2% precept for Adult Social Care in 2017/18 and 2018/19 the gap would increase to the following

	16/17 £000's	17/18 £000's	18/19 £000's	Total £000's
	£'m	£'m	£'m	£'m
Revised Budget Gap	0.00	4.48	6.27	10.75

- 3.24.3 The actions taken to balance the budget position for 2016/17 as referred to in the above table are summarised below and are explained in more detail at **Appendix A:**

Re-phasing of savings previously approved on 4 November 2015

The savings proposals agreed by Cabinet have been reviewed and the timing of their implementation has been brought forward to 2016/17 where possible.

New savings or income generation proposals

A number of additional proposals have been identified which can be implemented in the required timeframe for 2016/17 and which have least impact upon service delivery.

Re-phasing of Pension Contributions

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Included in the current Financial Strategy is a provision to increase contributions to the Pension Fund by £1.5m per annum in line with the actuarial assumptions included in the triennial valuation. It is proposed to reduce these annual stepped contributions to £0.75m thereby reducing the level of contributions by £4.5m in total over three years. In order to compensate for this reduction it is proposed to make a one off prepayment of £3.9m to the Pension Fund which can be funded from the Strategic Reserve, now the government is planning to implement a cap on exit payments (including redundancy costs).

Other adjustments

This consists of a number of relatively small adjustments to figures which were previously estimated or were dependent upon the outcome of the LGFS.

- 3.24.4 Based on the detailed budget proposals and other factors set out above, the Council's General Fund budget for 2016/17 will be as set out in **Appendix E**. This is summarised as follows:

	2015/16	2016/17
Havering's Services	178,209	158,659
Levies	13,783	14,582
Unringfenced Grants	-26,150	-10,096
Total Expenditure	165,842	163,145
External Finance inc Collection Fund	-64,531	-54,795

THESE FIGURES ARE ESTIMATED AND MAY ALTER FOLLOWING THE CONFIRMATION OF THE FINANCIAL SETTLEMENT

- 3.24.5 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	8,219
Inflation	3,856
Levies	810
Savings	-12,297
Net change in provisions and other adjustments	-2,900
Net reduction in Government funding/Collection Fund movement	10,811
Use of Reserves	-1,460
NET TOTAL	7,039
Met by changes in Council Tax	-7,039

3.25 Draft Schools' Budget 2016/17

The DSG for 2016/17 is considered earlier in this report and the draft Schools budget is now included at **Appendix F** to this report.

3.26 Havering Council Tax Precept for 2016/17

- 3.26.1 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 £1,267.64.**

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3.26.2 A summary statement, along with further information to support the setting of Council Tax, is set out in **Appendix E**.

3.27 Expenditure Restriction by Government

3.27.1 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 impose what they consider to be “excessive” council tax rises.

3.27.2 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.

3.27.3 The level relating to Havering has been set at 2% or above. However, the Council is proposing an increase of 1.99% and as such falls under the limit. No referendum will be required if the Council sets an increase of this size.

3.27.4 Announced as part of the 2016/17 LGFS the Government will allow Council’s to levy an additional 2% Council Tax increase earmarked for the purposes of funding the increasing costs of Adult Social Care. The referendum limit will be increased to 4% or above for those authorities intending to levy the 2% Adult Social Care precept.

3.28 Capital Programme

3.28.1 The Council approved a two year Capital strategy in 2015/16, with a detailed programme for the first year and an indicative programme for the subsequent year. Cabinet approved a revision to the indicative 2016/17 programme in January 2016. The core programme remains reliant on funding through the generation of capital receipts, although it was accepted that a gradual move towards the use of prudential borrowing will be required to meet the investment requirements associated with potential developments aimed at generating income and improving infrastructure in the borough. These investments include the Housing Development Company and Solar Energy project included in the draft revenue budget proposals.

3.28.2 It is recommended that the Council’s Capital Programme be amended to include a provision of £100m for regeneration and development projects to be funded from prudential borrowing. The capital cash-flows are likely to be spread over a number of years dependent upon scheme requirements. In the short to medium term it is anticipated that this increase in the borrowing requirement will be met internally, i.e. by reducing the level of our investments. Further information is included at **Appendix I and the Treasury Management Strategy Statement**. Individual schemes to be funded from this provision would still require project approval on submission of a business case. It is intended to meet the capital expenditure requirements of the two projects approved by Cabinet in November (the Housing Development Company and the Solar Energy Park).

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3.28.3 The proposed core programme for 2016/17 was submitted as part of the report to the previous Cabinet meeting in January. It is recommended that Cabinet approve the following programme and delegate responsibility to officers for the development of detailed schemes making up the programme.

Capital Programme 2016/17	2016/17 £000's
Parks, Libraries, Leisure & Cemeteries	1,500
Street Environment	2,000
Protection of Assets and Health and Safety	500
IT Infrastructure	1,000
Regeneration	100
Disabled Facilities Grant (Council element)	300
Capital Contingency	3,000
Sub Total	8,400
Regeneration and Development	100,000
Total	108,400

3.28.4 A schedule of the proposed schemes to be funded from the approved Capital programme allocations for 2016/17 is set out at **Appendix I**.

3.28.5 There are also some other areas where grant funding has already been announced, or where a level of funding for 2016/17 could reasonably be assumed. The largest area of capital grant funding is from Transport for London (TfL), where the Council has been awarded an overall sum of around £2.956m for next year. These grant areas are included 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 normally non-ringfenced.

3.28.6 Cabinet are also asked to approve the block allocation for Adult Social Care and delegate the development of detailed projects to the Deputy Chief Executive Children's, Adults and Housing. An indicative programme is included at **Appendix I**.

3.28.7 The phase 4 Schools expansion programme is included at **Appendix I** although grant funding has yet to be confirmed. It is recommended that the development of the detailed programme be delegated to the Deputy Chief Executive Children's, Adults and Housing subject to confirmation of Government funding.

3.28.8 With this in mind, Cabinet is asked to approve the capital programme as set out at paragraph 3.28.3 above and in Annex 1 of **Appendix I** for 2016/17.

3.28.9 It is proposed, to enable any specific schemes to proceed in a speedy and timely manner, that the relevant service area Cabinet Member, together with the Leader, be delegated authority 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.

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3.28.10 The release of funds from the capital contingency, of £3m, is delegated to the Deputy Chief Executive, Communities & Resources. A first call on the contingency of £1.2m will be required if Cabinet approve the contribution to the Rainham Housing Zone project.

3.29 Treasury Management Strategy

3.29.1 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. The draft TMSS is included elsewhere on the agenda.

3.29.2 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."

3.29.3 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.

3.29.4 The draft strategy takes account of the prudential borrowing requirements associated with the establishment of a regeneration and development provision. The actual timing of any increase in external borrowing will be dependent upon cashflow obligations and prevailing market rates and borrowing opportunities.

3.30 Greater London Authority

3.30.1 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.

3.30.2 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.

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- 3.30.3 The announcement of the Mayor's draft budget proposals were made on 21 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%. This is made up of £12 of the Olympic Levy dropping out and £7 of other savings. Consultation on the budget proposals ends on 12th January. The final draft budget proposals will be considered by the London Assembly on 27 January and the budget is due to be approved by 22 February.
- 3.30.4 As this meeting falls two weeks after this Cabinet meeting, any change from the Mayor's proposals will be advised to Members accordingly at Full Council.

3.31 Overall Council Tax for 2016/17

- 3.31.1 The table below summarises the position:

	£	% Increase/ (Decrease)
Havering Precept	1,267.64	3.99%
GLA Precept	276.00	(6.44)%
Total	1,543.64	1.96%

3.32 Other Matters

3.32.1 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 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).

3.32.2 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 Deputy Chief Executive, Communities and Resources, or the Committee Administration Manager, before the meeting.

3.32.3 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 15 February 2016** 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)."

3.32.4 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 2,500 Tax payers who take advantage of the discount. Cabinet should note that a similar discount is not permitted under business rate regulations.

3.32.5 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 March 2017, 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 1st April 2016, 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".

3.32.6 Resolution for Council Tax

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

3.33. Housing Revenue Account

3.33.1 The report on the HRA budget for 2016/17 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 2016/17 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 the financial implications and risks are fully considered and these financial implications or risks are covered in this report as necessary. There are significant risks associated with increasing demographic pressures, the recent four-year LGFS and the continuing uncertainty over the future level of Local Government funding and the steps already taken by the Council aim to mitigate these risks. 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.

The funding reductions announced in this year's financial settlement proved to be deeper than expected requiring further adjustment to the strategy approved by Cabinet in November. However, the longer term trend is in line with previous forecasts and RSG is now expected to have fallen by 96% of its current level by 2019/20. 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 J**.

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

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to try to understand the different contributions, perspectives and experience that people from different backgrounds bring to our community.

The Public Sector Equality Duties and Financial Decisions

The recent downturn in the economic climate has had a significant impact on public authorities. Financial constraints have already resulted in many authorities, including Havering, making important decisions about the services they provide. These decisions include efficiency drives, budget reductions, reorganisations, redundancies and service reductions.

The Equality and Human Rights Commission is concerned that some decisions may have a disproportionate effect on certain groups of people, and may be contrary to the statutory equality obligations to which public authorities are subject. While acknowledging the difficult economic environment in which public authorities are now operating, the Commission is emphasising the mandatory nature of the equality duties, and the importance of public authorities meeting their duties when making significant decisions. The equality duties are legal obligations which should remain a priority, even in times of economic difficulty. The duties are a valuable tool to help ensure that decisions do not create or perpetuate inequality.

The draft budget for 2016/17 reflects a number of proposals which were approved by Cabinet on 4 November 2015 and where relevant individual Equality Impact Assessments (EIAs), will be completed to understand if there are positive or adverse impacts arising from the proposals

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As the proposals are implemented they will be subject to full equality impact assessments. The Council recognises that some protected equality groups might be affected by more than one proposal (i.e. multiple times) and has therefore intends to undertake a Cumulative Impact Assessment (CEIA) that looks at the impact of the whole package of proposals on people with protected characteristics. The Cumulative Equality Impact Assessment (CEIA) aims to provide decision-makers with a more in-depth understanding of the impact of the package of proposals on protected equality groups that might be affected by two or more proposals (i.e. multiple times), and to help inform future budget planning and decision-making processes.

The initial screening of the equality impacts indicates that there are minimal or no equality impacts arising from the budget proposals. This may be due to the fact that the proposals are largely internally focused and related to reconfiguring services, deletion of vacant posts and revenue generating where appropriate.

The snapshot table in **Appendix A** gives an overview of the potential equality implications and mitigating activity where appropriate.

Background Papers

Revenue monitoring report period 7 2015/16

Revenue monitoring report period 8 2015/16