Havering
LONDON BOROUGH

CABINET
18 JANUARY 2017

Item 1

Subject Heading:	The Council's Financial Strategy
Cabinet Member:	Cllr Roger Ramsey
SMT Lead:	Debbie Middleton Interim Chief Financial Officer
Report Author and contact details:	Mike Board Corporate Finance & Strategy Manager 01708 432217 mike.board@Onesource.co.uk
Policy context:	The Council is required to approve an annual budget and this report provides information relating to the Local Government Financial Settlement to enable Cabinet to make recommendations to Council in February 2017
Financial summary:	There are no specific financial issues; this report deals with the overall budget position and associated issues
Is this a Key Decision?	No
Is this a Strategic Decision?	No
When should this matter be reviewed?	February 2017
Reviewing OSC:	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]

SUMMARY

Cabinet received reports on the 28 September 2016 and the 14 December 2016 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 October and December reports set out the Council's financial strategy to manage the implications of funding reductions and cost pressures over 2017/18 and 2018/19. It also considered the in-year budgetary pressure and set out an approach to bringing the position back on track and mitigate the impact on the MTFS.

The December report also confirmed that the Government has approved the Council's application for a four year financial settlement. Whilst this provides for greater certainty over the MTFS cycle it also results in substantial reductions in Government funding. As a consequence of the loss of government funding and service demand pressures this report concludes that there is a budget gap of £13m over the three years to 2019/20 of which £3.8m relates to 2017/18.

This report updates Members on the Local Government Financial Settlement announced on 15 December 2016, summarises the key elements of the Autumn Budget Statement, the implications for the corporate budget and the proposed financial strategy for the coming year. It also includes the latest in year financial monitor and the latest proposals for the capital programme.

Havering's financial strategy included provision for the reduction in Revenue Support Grant (RSG) over the next three years based upon the four year financial settlement applicable from 2016/17 and these reductions are re-confirmed and will reduce from £20.89m in 2016/17 to £1.376m in 2019/20. The impact of the settlement on Business Rates and New Homes Bonus are still being evaluated although it is not expected to have a material impact on the 2017/18 forecast position as reflected in the MTFS model. A full analysis will be included in the February Council Tax setting report.

Local authorities will now be able to increase the Social Care Precept by up to 3% per annum in 2017/18 and 2018/19. The additional 1% compared to the increased allowed in 2016/17 will require the authority to set out how the money is being spent on improvements in adult social care. The total increase allowed for over the three-year period to 2019/20 is limited to 6%.

RECOMMENDATIONS

Cabinet is asked to:

1. **Note** the progress made to date with the development of the Council's budget for 2017/18 and of the implications for Council Tax setting, although no decisions will be taken until the February cabinet meeting.

2. **Note** that an additional 3% increase in Council Tax precept may be levied for the sole purpose of funding and improving Adult Social Care.

3. **Note** the outcome of the Autumn Budget Statement and the likely impact on local authorities.

4. **Note** the provisional local government financial settlement announcement, and that this largely confirms the budgetary assumptions set out in the MTFS based upon the four year financial settlement.

5. **Delegate** authority to the Cabinet Member for Adult Social Services and Health and the Leader to approve an annual spend plan for the Public Health grant.

6. **Delegate** to the Directors of Childrens and Adults authority to agree inflation rates with social care providers for 2017/18.

7. **Note** the financial position of the Council in the current year and that action plans to recover the forecast overspend during 2016/17 and 2017/18 will be presented to Cabinet in February.

8. **Agree** the adjustments to the budget assumptions as set out in the table at paragraph 8 which give rise to an increase in the funding gap over a three year period 2017/18 to 2019/20.

9. **Approve** the draft Capital programme for 2017/18 as set out in paragraph 9 for inclusion in the final Capital Strategy report to be considered at the February Cabinet meeting and for onward approval by Council.

10. **Recommended to Council that they delegate** authority for the approval of schemes to be added to the newly created Efficiency Programme of £5m to the Chief Financial Officer in consultation with the Leader of the Council and the Lead Member for Financial Management.

11. **Agree** that any underspends from the Corporate Risk Budget, and from any service revenue underspends, are allocated to a Business Risk Reserve.

12. **Note** the summary of the GLA's consultation budget and the expected date for the publication of the final proposals.

13. **Note** that a public engagement exercise on the budget process will be carried out during January 2017.

14. **Note** the Equalities Impact Assessment in respect of the CTS Scheme as set out in appendix C to the report.

15. **Recommend to Full Council** that the CTS Scheme 2017 is approved. (see also appendices C and D).

REPORT DETAIL

1. INTRODUCTION

1.1. Cabinet has previously received two reports on progress with the Corporate Budget, in September and December 2016. This report sets out the position in respect of developing the Council's budget for 2017/18, the announcement of the Autumn Budget Statement, and the subsequent announcement of the local government financial settlement.

1.2. The draft financial strategy reported to Cabinet in December highlighted a budgetary shortfall of £12.4m over the three years to 2019/20 of which £3.4m relates to 2017/18. Taking account of further pressures these figures have increased to £13m and £3.8m respectively. The movements are explained in section 8 of the report.

1.3. Central Government have announced that the Council may levy up to 3% as a precept in Council Tax specifically for the purposes of funding the increasing cost pressures in Adult Social Care. This is an additional 1% over the 2% allowed in 2016/17. The extra 1% will require an authority to set out how the money will be spent on improving adult social care. The overall level of the precept is limited to 6% over the three years to 2019/20.

1.4. A public engagement exercise will be carried out during January and will, like last year, include consultation on the adult social care precept exercise. Feedback will be included in the report to Cabinet in February 2017.

1.5. As a consequence of the acceptance of the four year financial settlement the draft annual settlement is broadly in line with the position set out in the financial model. Some further work is required to establish the impact of the draft settlement for both Business Rates and the New Homes Bonus. The position will be made clearer once we have determined the latest Council Tax and Business Rate Bases and have received confirmation of the final settlement all of which are expected towards the of January. The final position will be included in the February report.

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

Autumn Statement (AS)

2.1. A summary of the Governments Autumn statement was included in the December report. When further detail is made available on how this will affect Havering residents it will be included in further update reports to Cabinet as appropriate. Information on the Local Government Financial Settlement are included below.

Local Government Financial Settlement (LGFS)

2.2 Details of the provisional settlement were announced on 15 December 2016. This is the second year of the four-year settlement announced last year and includes figures for 2017/18 to 2019/20. Last year Government presented local authorities with an 'offer' to provide certainty over their funding with the only clear proviso being that any council accepting the offer would have to publish an efficiency plan. Take up of the offer has been high with 97% of councils accepting. Those councils not accepting are subject to the existing annual process for determining the level of central funding they will receive. In 2017/18 funding allocations for the 10 councils that didn't take up the offer remain unchanged.

2.3 From the settlement announcement, there have been minor adjustments to the figures from last year due to the impact of business rate retention. Within the business rates retention system, the NNDR baseline and top up/tariff amounts have been amended to reflect Revaluation 2017. The adjusted amounts are intended to make changes in Rateable Value revenue neutral for individual authorities; with changes to authorities' NNDR Baseline (and therefore tariff/top up) being equal and opposite to the forecast change in the ability to raise business rates locally.

2.4 Government confirmed that the 2% cap of council tax will remain although local authorities will now be able to increase the Social Care Precept by up to 3% per annum in 2017/18 and 2018/19. However, authorities that go ahead with the 3% increase each year for 2017/18 and 2018/19 will not be able make a further increase in 2019/20 (i.e. the total allowable increase over the three-year period remains at 6%).

2.5 The consultation period for the LGFS runs until 13 January. It is anticipated that the final settlement will be announced around 2 weeks after consultation closes, in common with earlier years, though a definitive date has yet to be confirmed.

Havering's Settlement Funding Allocation

2.6 The provisional funding allocation is used to determine both Havering's Revenue Support Grant (RSG) and Business Rate Baseline (BRB). Havering's provisional allocation for 2017/18 is £44.5m compared to a 2016/17 equivalent of £52.5m. This is a reduction of £8.0m, although this is assuming Havering's business rates increase in line with government expectations. Table 1 shows the reduction in Settlement Funding Allocation (SFA).

Table 1

Havering	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	20.890	12.284	6.847	1.376
Business Rates Baseline	22.164	23.040	23.782	24.628
Top-Up	9.462	9.232	9.529	9.868
Settlement Funding Allocation	**52.516**	**44.556**	**40.158**	**35.872**

2.7 The 2017/18 Local Government Finance Settlement shows an increase from the provisional SFA figures stated last year by £0.024m in 2017/18, £0.111m in 2018/19 and £0.234m in 2019/20 however this does not represent additional funding for Havering. The figures used as part of the business rate baseline are only an indicative figure and will deviate from the actual yield. The final position will be established following the determination of the Council's business rate yield and confirmation of the final settlement which will be available mid-January. These will be included in the February report.

2.8 A number of risks exist with regards to the business rate element of the settlement funding allocation. The 2017 revaluation has provisionally increased the rateable value of commercial properties by approximately 11% and it is likely that rate payers will opt to challenge / appeal their rateable value. The increase from the revaluation has been factored into the settlement funding allocation. However at this stage it is uncertain whether Havering business rate yield will increase to provide the same level of funding. Since 2010 there has been 3,108 appeals made of which 654 have been successful and 370 still outstanding. Of the 370 appeal outstanding an appeal provision of £7.5m has been created. However it is widely expected that the number of appeals will significantly increase from April as businesses appeal the new valuation.

2.9 The Government announced within the technical consultation in September that the business rate target will be based on the draft 2017 revaluation list. This is likely to change once the list has been finalised. This will result in the top-up and tariffs for each authority to be adjusted and therefore amendment made in 2018/19 to account for these adjustments.

2.10 The SFA for future years should be as expected however the Government has stated that it will need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year.

2.11 Havering's Settlement Funding Allocation remains one of the lowest grant-per-head allocations in London at £175 per head of population (See appendix A). This is despite being one of the largest boroughs in London with the highest proportion of elderly population, the fastest growing Children's population and the only London Borough which has seen an increase in the levels of deprivation all be it from a lower base. With the basis of calculation of RSG now effectively frozen until 2021, there is little prospect of any significant change in Havering's grant funding position at least in the short-term – however we will continue to lobby our position.

Unringfenced Grants

2.12 As part of the settlement announcement, allocations in respect of the New Homes Bonus were released. In 2016/17, Government released the consultation to change the parameters surrounding the New Homes Bonus and transfer the funding over to Improve Better Care Fund and now an additional Adult Social Care Fund. The Government has confirmed New Homes Bonus (NHB) payments to Councils will be reduced from six years to five years in 2017/18. They will also introduce a 0.4 per cent baseline so that local authorities will need to achieve tax base growth of greater than 0.4 per cent before they receive any NHB funding. This is expected to reduce the income of councils in receipt of the New Homes Bonus by £241m in 2017/18 in comparison to indicative figures released in February 2016.

2.13 The indicative allocations from Government in respect of the New Homes Bonus are detailed below. The figures are not materially different from the assumptions included in the draft MTFS.

Table 2

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Havering	7.032	7.018	5.305	5.090

2.14 From the additional saving from the New Homes Bonus, a new one-off Adult Social Care Grant has been introduced. Details of the grant are yet to be released however Havering's indicative allocation is £1.010m. Clarification is being sought as to how this grant can be deployed prior to finalisation of the budget report in February

2.15 The public health grant remains the same as the indicative figures provided in 2016/17. There is an expectation that the Public Health Grant will be rolled up into the settlement at some future date although no announcements have been made as to the timescales.

Impact on Havering

2.16 The 2017/18 financial settlement deviated little from the provisional announcement from last year. The RSG and business rate baseline figures remained broadly the same however significant risks still exist within the business rate system.

2.17 Business rate appeals have been a significant issue and have created a shortfall in funding across local government. The 2017 revaluation will cause additional risk to local authorities as the funding baseline has been increased to account for the increase in business rates. It is highly likely that commercial rate payers will opt to appeal their rateable value and thus impact local government funding. At this stage, no mention has been made in respect to adjustments to the multiplier to account for the risk of appeals and therefore Havering's rate yield could reduce as a consequence.

2.18 In 2016/17 the Government enabled Council's to raise an additional 2% in Council Tax; ring-fenced for Adult Social Care purposes. As part of the settlement the opportunity exists to increase the adult social care precept to 3% in 2017/18 and 2018/19. It must be demonstrated that the additional 1% is linked to improvements in Adult Social Care. However this does not bring in additional funding as a cap of 6% over the three years to 2019/20 has been created and so if there is a 3% increase in 2017/18 and 2018/19, then no increase will be permitted in 2019/20. No new permanent funding for adult social care has been identified and therefore Havering will continue to be one of the lowest funded authorities per head of population for adult social care (currently £398.80).

Dedicated Schools Grant & Schools Funding

2.29. The Dedicated Schools Grant (DSG) is a ring-fenced grant for early years' education, schools and pupils with special educational and other high needs that is allocated to local authorities in three "blocks": An Early Years Block, a Schools Block and High Needs Block. The allocations for 2017/18 are shown in the table below.

Schools receive their delegated funding from the Schools Block through nationally prescribed formula factors. These factors include a basic amount per pupil, deprivation, prior attainment, English as an additional language and a lump sum per school. Although the factors are prescribed, local authorities apply their own values to the factors in consultation with their Schools Forums. In Havering, the balance of funding allocated through each factor is designed to provide as much stability as possible to school budgets. Any reductions to individual schools' budgets are limited to -1.5% per pupil by a national minimum funding guarantee and local authorities can apply a gains cap to limit increases in order to fund the cost of limiting the losses.

2.30 The funding for schools has remained cash flat for 6 years and an increasing number of schools are finding it difficult to set a balanced budget because of cost pressures.

2.31 Revised funding arrangements are to be introduced by the Government for providers of early years education in 2017/18 and consultations have been launched on the introduction of a National Funding Formula for schools from 2018/19 and a review of High Needs funding to local authorities. The intention is to remove the inconsistencies in current per pupil funding between different local authorities.

2.32 The changes to the early years funding introduce a national framework for the funding of providers which includes: a minimum "pass-through" rate of grant to providers of 93% in 2017/18 and 95% in 2018/19, no differentiated hourly rates for different types of providers, a standard set of supplements and a new Disability Access Fund. The overall funding for early years education will increase in 2017/18 which will result in an increase to the hourly rate paid to private and voluntary providers. The higher hourly rate will help to incentivise the offer of an additional 15 hours per week of free early year education for working families.

2.33 The DSG allocations to LAs were announced on 20 December 2016. Havering's allocation is £207.46m compared to £198.07m in 2016/17. The increase is due to an increase in pupil numbers. The funding for each block compared with 2016/17 is set out below.

Table 3

Year	Schools Block		Of which, ESG related	Early Years Block	High Needs Block	Total DSG
	GUF per pupil (£)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)
17-18	4,712.65	169.91	0.59	14.85	22.70	207.46
16-17	4,728.70	168.08	n/a	10.67	19.32	198.07

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. Schools Block per pupil funding has reduced following a transfer of £1.3m into the High Needs Block
3. The Early Years block is for 2, 3 and 4 year olds and will be recalculated based on the January 2017 and 2018 early years censuses. The increase follows the DFE review of early years funding.
4. The Schools Block now includes Education Services Grant (see below).
5. The figures include baseline transfers agreed locally of £1.4m into High Needs from Schools (£1.3m) and Early Years (£0.1m).

2.34 The DSG Schools Block now includes £0.588m of funding from the Education Services Grant that was previously allocated to local authorities to meet their statutory duties. In 2016/17 the grant was allocated at £15 per pupil for retained duties and a general rate of £77 per pupil for pupils in LA maintained schools. Academies receive the £77 per pupil for the number of pupils in their schools. In 2017/18 the £77 general rate ceases with effect from 1 September 2017 for LAs and academies (although there are protections for academies to limit losses) and the £15 per pupil moves into the DSG (the £0.588m). There is a reduced transitional rate of £66 per pupil for April to August 2017 for LAs; academies continue to receive £77 per pupil until August 2017. Approval will be sought from the Schools Forum to allocate this ESG related increase to the DSG towards the costs of the LA's statutory duties.

	Retained duties £	General rate £	Total £
2016-17	570,387	1,765,856	2,336,243
	Transfer of costs to DSG £	Transitional grant £	Total £
2017-18	588,735	606,055	1,194,790
Shortfall			1,141,453

Note: The General rate of £77 per pupil is deducted in-year from the LA's allocation for every academy conversion.

2.35 The above figures assume that the Schools Forum will agree that £588,735 of the costs of the LA's statutory services can be charged to the DSG. If approval is not given then the shortfall will be £1.73m. The ESG currently meets costs within Children's Services for statutory duties including the following:

Director of children's services and personal staff for director,
Planning for the education service as a whole,
Revenue budget preparation,
Preparation of information on income and expenditure relating to education, and external audit relating to education,
Administration of grants
Authorisation and monitoring of expenditure not met from schools' budget shares Formulation and review of local authority schools funding formula
Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA
Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils
School attendance
Responsibilities regarding the employment of children
Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions
General landlord duties for all buildings owned by the local authority, including those leased to academies.

The grant also meets the costs of corporate recharges made to the above services. The current £2.3m ESG therefore funds direct service costs and corporate recharges.

2.36 The Government's original intention was that all schools would become academies by 2020 and the statutory duties of local authorities would therefore cease. Later announcements have relaxed the timescales although the academisation of all schools remains a Government aspiration. In spite of the longer timescale for schools to become academies, in which case LA statutory duties would remain for a longer period, the funding through the ESG is being withdrawn anyway.

2.37 To address the shortfall in 2017-18, savings are being identified within Children's Services and other options explored in trading services with schools but they are unlikely to meet the full shortfall. The guidelines from the DFE permit local authorities to request additional contributions from LA maintained schools (but not academies) towards the costs of statutory duties. This would be above the £0.588m that has been transferred into the DSG and would reduce the funding available to schools to meet their own responsibilities and improvement priorities.

2.38 Two new grants have also been announced to address underperformance of schools. These are: £50m nationally for local authorities to continue to monitor and commission school improvement for low performing maintained schools and a Strategic School Improvement Fund for academies and maintained schools to target at schools most in need of support to drive up standards. At the time of writing, Havering's allocation from these grants is not known.

2.39 Before applying the funding formula to calculate the budget shares of schools, funding is retained centrally for LA responsibilities such as: school admissions, national licensing arrangements, the servicing of the Schools Forum and a contingency for supporting pupil growth and schools with falling rolls. After consultation with the Schools Forum at the meeting held on 22nd September 2016, the total amount agreed for central retention is £4.2m (unchanged from the previous year).

2.40 The values to be applied to the formula factors for 2017/18 are to be determined following consultation with the Schools Forum at its January meeting but are unlikely to change significantly from 2016/17 given that the Schools Block DSG settlement funding has not changed other than for increases in pupil numbers. The Schools Forum may, however, opt to set the funding rates for formula factors closer to the recently announced rates within the proposed National Funding Formula.

2.41 In addition to the funding provided to schools from the DSG, they receive additional funding through the Pupil Premium to address low attainment of pupils from low income families and areas of high deprivation. For financial year 2017-18, the Pupil Premium the rates remain unchanged as follows:

Primary age pupils:	£1,320
Secondary age pupils:	£935
Looked After Children:	£1,900

and children who:

- Have been looked after for 1 day or more
- Are adopted after leaving care
- Leave care under a Special Guardianship Order or a Residence Order.

2.42 The cuts in ESG funding referred to in paragraph 2.34 above create an additional pressure of £1.76m in 2017/18. Savings totaling £1.58m have been identified, however, this includes a provisional one-off contribution of £0.465m for 2017/18, leaving a further savings requirement of £0.18m to be identified. An update of this position will be included in the February report.

3 PUBLIC ENGAGEMENT AND CONSULTATION

3.1 Unlike the process carried out in previous years the draft financial strategy contains no significant proposals impacting upon service delivery to the public. As a consequence it is not considered necessary to carry out the comprehensive level of public consultation that was performed in those years. However, given the size of the budget gap and the potential impact on Council Tax levels it is proposed to carry a public engagement exercise to seek feedback on the options available for Council Tax setting and finalising the budget.

3.3 This public engagement exercise will be carried out during January and feedback will be reported to Cabinet in February.

4. CURRENT FINANCIAL POSITION

4.1 The previous reports to Cabinet included an update on the current financial position. The latest budget monitoring position for 2016/17 for period 7 is set out in the table below. Movements in revised budget since the Period 6 report are a consequence of approved virements and grant funding allocations. Cabinet will note that forecast variance has worsened by £0.5m and now stands at £6.97m

Table 4

Directorate	Revised Budget	Forecast Outturn	Forecast Outturn Variance	Previous Forecast Outturn	Change in Outturn Variance
	£m	£m	£m	£m	£m
Public Health	2.28	2.28	0.00	0.00	0.00
Learning & Achievement	8.46	8.53	0.07	(0.01)	0.08
Children's Services	34.89	38.47	3.58	3.12	0.47
Safeguarding - Quality & Assurance	1.67	1.81	0.14	0.10	0.04
Housing Services	1.77	2.81	1.04	1.02	0.02
Adult Services	52.52	54.11	1.59	1.65	(0.06)
Mental Health	2.91	2.98	0.07	0.07	0.00
Neighbourhoods	25.00	25.84	0.84	0.88	(0.04)
oneSource Non-Shared	1.15	1.23	0.08	(0.06)	0.14
Chief Operating Officer	28.48	28.05	(0.43)	(0.27)	(0.16)
Total	**159.13**	**166.10**	**6.97**	**6.49**	**0.49**

4.2 In view of the impact of these additional financial pressures on both the current year budget position and the projected MTFS, SLT is developing action plans with the objective of returning to a balanced budget position by the end of 2017/18.

4.3 The approved contingency budget for 2016/17 is £2m. Of this sum, £0.090m has already been allocated to support service pressures, leaving £1.1m of contingency uncommitted. As shown in table 5 below, it is proposed to utilise the remaining £1.1m as part of the plan to manage the final 2016/17 outturn within the Council's approved budget. The directorate action plans will not bridge the £6.97m gap in 2016/17 and will also require the support of the corporate risk budgets (formerly corporate provisions). The following table summarises the impact of this planned management action over 2016/17 and 2017/18. The detail of the action plans will be presented in the February report to Cabinet.

Table 5

	2016/17 £m	2017/18 £m
Current Outturn Projection	7.0	1.4
Action plan-Neighbourhoods	(0.4)	(0.5)
Action plan-Adults	(0.7)	(0.9)
Action plan-Housing	(0.6)	
Release of contingency	(1.0)	
Release of Corporate Risk Budget	(2.8)	
Budget Outturn shortfall	1.4	0

4.4 In view of the challenges being experienced in managing financial pressures across a range of services, it is recommended that a Business Risk Reserve be established in 2017/18. This reserve will be utilised in exceptional circumstances to offset directorate overspends where it is deemed by the s151 Officer in consultation with the Chief Executive, that a directorate is not reasonably able to manage financial pressures within its approved budget.

4.5 An under spend of £5.6m is anticipated in the corporate risk budgets after balancing the overall outturn. Any final underspend will be transferred to the Business Risk Reserve as part of 2016/17 accounts closure. The anticipated budget in 2017/18 is £8.9m of which £5m has been planned to be released in 2017/18 budget leaving only £3.9m available to support the transitional period associated with directorate action plans during 2017/18. By 2018/19, the base provision of the corporate risk budget will have fallen to just £3m. This should be viewed in the context of the size of the budget gap of £13m for the period to 2019/20 and the £6.97m predicted overspend in service budgets in 2016/17.

4.6 A summary of the current position on the corporate risk budget is set out in the table below.

Table 6

Corporate Risk Budgets

	2016/17 £m	2017/18 £m
Base Budget	**17.1**	**8.9**
Approved In Year Releases	(3.2)	
Approved One Off In Year Releases	(6.9)	(5.0)
Planned One Off In Year Releases	(1.4)	
Projected Year end out-turn	**5.6**	**3.9**

Table 7
The change in Base Budget position from 2016/17 to 2017/18 is set out below.

Corporate Risk Budgets	£m
Base Budget 2016/17	**17.1**
Permanent In Year Releases	(3.2)
Allocation of New Homes Bonus	(3.8)
Re-phased use of budget	(0.8)
Other minor	(0.4)
Base Budget 2017/18	**8.9**

4.7 From the above tables it can be seen that £17.1m was held in corporate budgets in 2016/17 of which £10.1m has been released by the Chief Financial Officer in consultation with SLT. Assuming a shortfall of £1.4m in service budgets it leaves the sum of £5.6m to be transferred to the Business Risk Reserve.

4.8 The balance of the corporate risk budget included in the draft financial strategy (approved by Cabinet in October) for 2017/18 reduces to £3.9m. This reduction has protected services from budget cuts but will limit the Council's scope to respond to further budgetary pressures. It is therefore essential that the on-going pressures contributing towards the 2016/17 budget position are addressed early in 2017/18 to ensure that the Council's Financial Strategy remains on course.

5. OTHER KEY MATTERS

Impact of Inflation

5.1. Inflation levels have remained at their lowest point in many years. Pay increases in the public sector has been subject to a high level of scrutiny and restraint in recent years and it is clear that the Government expects a similar level of restraint in the future. However, the latest forecasts for inflation suggest an increase during 2017/18 which could place additional cost pressures on the Council.

5.2. Provision is being made for increases in major contracted services. The proposed increases for contracted services – which mainly relate to contracts based on an RPI index – are broadly in line with that level, but subject to the specific circumstances applicable to each individual contract. For social care, negotiations are underway with providers, within the broad parameters set for the overall budget, and these are likely to be agreed prior to the start of the financial year. To enable these negotiations to progress, it is recommended that Cabinet delegates authority to the Directors of Childrens and Adults services to agree inflation rates with social care providers.

5.3. Fees & charges are to be increased in line with the draft financial strategy and a schedule of revised charges will be submitted to Cabinet in February as part of the budget setting cycle.

Interest Levels

5.4. Interest rates have remained at historic lows for some considerable time. The Council's budget strategy has taken a prudent viewpoint and assumes that rates will remain unchanged until 2019/20.

5.5. Whilst there is no immediate sign of rates rising, the economic outlook is unclear. Income targets have been increasingly testing particularly as the benefit of longer term fixed rate deposits has largely dropped out of the Treasury portfolio. Budgetary targets are currently being achieving through increased cashflow as opposed to higher interest rates.

Concessionary Fares and Taxicard Scheme

5.6. This item has been a major factor in previous years. Havering's contribution to the freedom pass scheme currently stands at £8.223m. The Council's contribution for 2017/18 is expected to be £8.313m and the final figures will be included in the Budget report. This area remains a financial risk to all London Boroughs as future rises could well be at a similar level, and therefore continues to be covered in the Council's longer term planning.

5.7. The Council's contribution to the London Taxicard scheme, which is also funded through London Councils, currently stands at £0.150m. The 2017/18 contribution level will be reflected in the final budget report.

Pension Fund

5.8. The difficulties experienced nationally by pension funds in general, and the Local Government Pension Fund in particular, have been well publicised. A variety of changes to the local government pension scheme were implemented in April 2014.

5.9. The level of contribution rates included in the financial strategy are those which have been included in the draft valuation report provided by the council's actuaries following the latest triennial valuation and will be implemented in April 2017. The Actuaries rates and valuation certificate is expected shortly and confirmation will be included in the February Cabinet report.

Levying Bodies

5.10. The levies are part of the Settlement and therefore need to be taken into account when setting the Havering element of the Council Tax. There are a number of levies, but the predominant levy relates to East London Waste Authority (ELWA). The current overall levy budget is around £14.4m, of which ELWA accounts for £13.7m. At this stage, no account has been taken of any changes in the distribution of levies arising from the changes in Council Tax base referred to earlier in this report.

ELWA

5.11. Provision has broadly been made within the Council's Financial Strategy for increases in the ELWA levy of £1m in 2017/18 and £1m per annum thereafter.

5.12. At this stage, officers are awaiting the final budget report, which is subject to deliberations by ELWA. The final levy will be included in the February Council Tax setting report. .

Other Bodies

5.13. Of the remaining levying bodies, for planning purposes, a prudent approach has been taken to the level of increase that might be expected, pending notification of the planned rises.

London Councils Subscription and London Boroughs Grants Scheme (LBGS)

5.14. The 2017/18 core subscriptions have remained the same level as 2016/17, being £0.141m, which includes a one off rebate for all contributing authorities, at a level of £0.020m for Havering. The contribution to the LBGS has reduced by £0.025m to £0.220m due to a share of a one off payment.

Transformation Funding

5.15. Cabinet will recall that, as part of the Council's approach to delivering its transformation programme, a Strategic Reserve was established to finance a wide range of activity, for example the development of Internal Shared Services programme. However, given the continued reduction in Government funding and consequential impact on the Local Government Financial Settlement it is highly likely that local authorities will be engaged in transformation activity for a considerably extended period. The Strategic Reserve therefore remains a crucial source of funding for the delivery of transformational change.

Changes in Demography

5.17 Cabinet will be aware from previous reports that social care services in particular have been impacted by changes in demography. These pressures have already resulted in increased cost pressures in Adult Social Care in recent years and have contributed to in year budgetary pressures (as discussed in paragraph 4). This issue has been also been considered in developing the Council's financial strategy, and due to the fluid nature and high risk will continue to be closely monitored. This financial requirement is difficult to predict, however, with continuing changes in demand, the increased financial pressures facing local authorities, changes in funding streams referred to elsewhere, and shifts in population as well as properties, this issue now potentially has a broader impact.

5.18 Elsewhere in this report, changes in the Council's property base – as measured through the Council Tax base and the New Homes Bonus – are highlighted. This also needs to be considered in the context of increased demand for schools places.

5.19 These factors, taken together, suggest a significant change in demography within Havering. These changes impact upon demand for services, and thus in turn, the associated resources and costs. As a guide, the potential consequences are set out in the table below:

Factor	Impact	Financial Impact
Properties	Increase in waste produced by households Increased traffic leading to more road/footway damage	Higher costs for refuse collection, street cleaning, waste disposal Higher costs for highways maintenance
School places	Increase in demand for places leading to need for more classrooms	Capital investment in additional classrooms Revenue impact falls directly on schools budgets
General population	Increase in special educational needs Increase in residents requiring learning or mental disability support Increase in demand for parks, leisure, arts, culture, etc. Change in population mix, e.g. nature and make up of families	Increase in resource needs and thus service costs As above As above Potential capital investment, e.g. new facilities, vehicles As above

5.20 At this stage, it is not possible to determine the financial impact of potential changes. Clearly, there will be an increase in Council Tax receipts, and this is factored into the base calculation. What is much more difficult to assess is the cost impact these changes might have, as this depends on the actual nature of the shift in demand, rather than any notional model. It is however a fact that such changes represent a significant area of risk, both financial and otherwise. This has been mitigated by including a central provision for demographic growth within the financial strategy. This central provision has and will, continue to be held corporately until the case has been made to release budgets to service areas.

6. COUNCIL TAX SUPPORT SCHEME 2017

6.1 The current Council Tax Support Scheme has been in place since April 2015. The scheme is designed to help residents on low income pay their Council Tax. Council Tax Support can cover up to 100% of the Council Tax for claimants of pensionable age and 85% of Council Tax for working age claimants. (A discretionary reduction scheme is also available for those who suffer particular hardship).

6.2 Under the Local Government Finance Act 1992, full Council is required to endorse the Council Tax Scheme for 2017 before 31 January 2017. The Council proposes to maintain the current Council Tax Support Scheme in 2017 and proposes no amendment to the current scheme.

6.3 A Judicial Review of the 2015 Council Tax Support Scheme was undertaken during 2015. The High Court concluded that there was no discrimination on the grounds of age or disability. In December 2016, leave has been sought to appeal this decision in the Court of Appeal. We are waiting to hear if permission to proceed with the appeal has been granted.

6.4 The Council must also pay due regard to its public sector equality duties under the Equality Act 2010, which includes the need to eliminate unlawful discrimination, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The steps taken to meet the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled person’s disabilities.

6.5 Consequently an Equalities Analysis is attached to this report at Appendix C along with a draft summary version of the Council Tax Support Scheme for 2017 which Members are asked to read. An Equality Impact Assessment was completed in January 2015 for when the Council Tax Support Scheme was last changed. This can be found at https://www3.havering.gov.uk/Pages/Category/Council-tax-support.aspx, and Members should read it as well. As a matter of substance, there are no changes to the impacts identified in the January 2015 Assessment which is also available for Members to read at the web link above. (The High Court dismissed challenges to the January 2015 Assessment and that aspect of the decision is not being appealed).

7. EXPENDITURE RESTRICTIONS AND BUDGET ROBUSTNESS

Expenditure Restriction by Government

7.1 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.

7.2 In 2016/17 the Government introduced the Adult Social Care Precept enabling Councils to increase Council Tax by up to 2% per annum The latest settlement enables an increase of up to 3% to be levied for this precept (but limiting it to 6% over three years). The additional 1% must be directed towards improvements in Adult Social Care. This does not require a referendum.

Budget Robustness/Reserves Position

7.3 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 reserves. The Act requires the Chief Finance Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its council tax or precept.

7.4 In line with the requirements of the Act, the formal report of the CFO on budget robustness will be included in the February Cabinet report. The authority is required to take the report into account when making the calculations.

7.5 The General Fund Balance at 31 March 2016 was £11.8m. Prior to making a initial recommendation to Council, there will also be a need to further consider the current financial position for 2016/17. The revenue budget strategy statement, as agreed by Council, sets out that the minimum level of reserves held will be £10m. There is an opportunity cost of holding reserves, in particular the alternative use that these balances could be put to and the benefits that might accrue as a result. Equally, the importance of retaining sufficient reserves has been emphasised by the position within social care services during previous financial years, and particularly so now, with the Council suffering an on-going reduction in grant funding from Government.

7.6 A reduction of up to £1.8m in the General Reserve is therefore permissible under the existing budget policy (although not recommended in the light of current budgetary pressures). However, it should be stressed that the use of reserves provides only a one off funding source for budgetary purposes. Any further use of reserves would require amendment to the Council's approved budget policy.

7.7 The Council's revenue budget strategy statement requires that:

While addressing its priorities and setting a balanced and prudent budget, the Council will seek to keep any increase in the Council Tax to the lowest possible level and in line with its stated aspirations whilst maintaining the General Fund Balance at the minimum level of £10m. The Council will not utilise General Fund Balances to subsidise its budget or suppress council tax increases.

- The Council will not use any specified or earmarked reserves to subsidise its budget or to suppress council tax increases on an on-going basis as this is neither a financially sustainable nor a robust approach. It may, in exceptional circumstances, utilise appropriate specified or earmarked reserves to bridge short term forecast budget shortfalls to facilitate the delivery and implementation of projects and service initiatives that will generate additional income or reduce on-going expenditure to achieve a balanced budget.

7.8 In addition to its General Fund Balances, the Council also holds a number of specified or earmarked reserves. At 31 March 2016, the total value of these reserves stood at £54.1m. This sum includes:

a) £2.3m relating to previous NHS and social care integration funds not fully spent. Given the level of financial and operational risk associated with the Care Act and SEND legislation and in particular assessing all who apply and are eligible for services, these funds are being held to support this implementation of new legislation and integration with the NHS.

b) £27.6m earmarked for the corporate transformation programme, which is required to support the delivery of savings agreed by the Council. Over the last four years, over £24m has been spent on delivering transformation including £5.7m on severance payments. Given the level of potential redundancies included likely to arise from savings options included in the MTFS, significant budget provision is required to meet the cost of further severance payments.
c) £10.2m being sums earmarked towards the funding of capital schemes included within the approved capital programme.
d) £6.9 m set aside for the Insurance reserve to meet potential claims and the cost of self-insurance based upon actuarial advice.

7.9 The advice of the Interim Chief Financial Officer is that the policy of retaining the minimum level of General Fund Balance at £10m is considered to be adequate. However, given the current level of budgetary pressures which in turn increases the risk of overspending it is recommended that the level of General Fund Balance be maintained at the existing level £11.8m. A full assessment of balances and earmarked reserves will be brought in the February Council Tax setting report.

7.10 The Council's external auditor has in the past emphasised the need for the Council to strengthen its financial health and to build in protection against unforeseen circumstances and to seek advice from the Chief Finance Officer on the adequacy of its working balance level. The advice of CIPFA also needs to be borne in mind, as they have emphasised that it is important to stress the risks which arise should councils decide to draw down reserves to help fund their budgets. This is due to the fact that most council services require recurring funding to meet staff and other running costs year after year. Reserves are however a one-off, finite source of funding; they can cover a shortfall in recurring funding for a specific period but, after reserves are exhausted, the underlying shortfall will still be there. Due account is taken of this advice in assessing the need for reserves and their potential utilisation.

7.11 The draft financial strategy discussed at paragraph 8 below is consistent with the Council's Budget policy.

8. FINANCIAL STRATEGY

8.1 At the meetings of 28 September and 14 December 2016 Cabinet considered its financial strategy for the three year period commencing 2017/18. The budget gap covering the period up to 2019/20 and is included in the table at 8.5 below.

8.2 The draft strategy approved by Cabinet in September included reductions in a number of centrally held budgets. The underlying budget assumptions were updated in the December report and in the table at 8.5 below although the overall positon has not altered materially since the initial report. Despite the reduction in corporate budgets there has been no need to draw on earmarked reserves to balance the budget. The current status on the corporate risk budget is discussed at paragraph 4.6.

Additional Pressures

8.4 The model has now been updated for two further cost pressures since the December report was drafted. The impact on the model is set out below

- Utility prices had dropped last year but this is not expected to continue. The market has made a sharp upward movement recently, and this is in part driven by the industry taking coal powered electricity stations off line and by the issues with provisioning from nuclear power stations. Additionally there has been an increase in government charges, which form part of the pass through charges and cannot be reduced by 'shopping around'. Indicative increases are expected in the region of 15-20% at a cost of approximately £0.170m.

- There are a number of risks associated with the revaluation of Business Rates which have arisen as a result of the finance settlement announcement. For Havering a cost increase of £0.230m has been included in the revenue budget to reflect the anticipated extra cost burden falling upon the Council in respect of its own property base.

Re-phasing of MTFS proposals

8.5 The introduction of three proposed savings options which were approved as part of the 2016/17 Financial Strategy have recently been assessed as not being sufficiently well developed to enable them to deliver the planned savings in 2017/18 and therefore the financial impact of these proposals have been delayed until future years.

Table 8

		£m
CL7	MyPlace Efficiencies	(0.050)
SC5	Public Realm Transformation Review	(0.250)
SC7	Waste Minimisation (3 sacks plus recycling)	(0.500)

8.6 It is now proposed to draw £0.800m from the corporate risk budgets one year earlier than planned which will mitigate the impact of these re-phased proposals although it will increase the financial pressures in later years.

8.7 The revised budget gap is set out in Table 9.

Table 9

	17/18	18/19	Two Year Total	19/20	Three Year Total
	£m	£m	£m	£m	£m
Budget Gap As reported on 14 December	**3.350**	**2.250**	**5.600**	**6.800**	**12.400**
CL7 My place efficiencies	0.050	(0.050)	0	0	0
SC5 Public realm transformation review	0.250	(0.250)	0	0	0
SC7 Waste minimisation	0.500	0	0.500	(0.500)	0
Re-phasing of corporate risk budget	(0.800)	0.800	0	0	0
Total of Re-phased Savings	**0**	**0.500**	**0.500**	**(0.500)**	**0**
Increased cost of utilities	0.170	0	0.170	0	0.170
Business Rate Revaluation	0.230	0.145	0.375	0.025	0.400
Adjustments to proposals for income generation	0.050	0	0.050	0	0.050
Revised Budget gap	**3.800**	**2.895**	**6.695**	**6.325**	**13.020**

RSG

8.8 The impact of the four year financial settlement has been to make the level of grant settlement more predictable. As expected, reduction in RSG announced in the annual settlement in in line with previous forecasts. The annual settlement is discussed in more detail in paragraph 2.

Proposals for Income Generation

8.9 As set out in the December report a number of proposals were included in the budget model in order to reduce the pressure in meeting the budget gap. The latest income projection from these proposals is £0.713m for 2017/18: a reduction of £0.050m from the December figures. The latest position relating to these proposals are set out in the table below and are included in more detail at Appendix B.

Table 10

Lead Officer	Subject	17/18 £000's	18/19 £000's
Dir of Neighbour-hoods	Moving Traffic Contravention	**250**	
Dir of Neighbour-hoods	Business Vehicles Charging		**500**
Dir of Neighbour-hoods	Resident Parking Permits	**55**	
Dir of Neighbour-hoods	On/Off Street Parking Charges	**150**	
Chief Operating Officer	Leisure contract additional income	**150**	**250**
Chief Operating Officer	Commercial Income	**108**	**104**
	Total	**713**	**854**

8.10 These measures reflect a strategy which seeks to minimise the impact on service delivery by seeking to recover the full cost of services through fees and charges where possible or by increasing commercial income for the benefit of residents.

8.11 Cabinet should be aware that if any of these options are rejected or their implementation delayed then alternative proposals will be required in order to balance the budget.

Council Tax Income

8.12 The budget model takes no account of additional income that could be achieved from increasing the level of Council Tax. As discussed elsewhere in the report The Council may increase Council Tax by up to 3% as a precept to meet the growing cost of Adult Social care and may also apply a general increase in Council Tax by up to 2%.

8.13 An up to date assessment of the growth in the Council Tax base and its impact upon any required increase in council tax will be included in the February report and is dependent upon the growth in the number of properties in the borough.

Bridging the Gap

8.14 The budget gap is estimated to be £13m over three year cycle. More significantly, a gap of £3.8m remains in 2017/18. This gap will need to be closed in order to set a balanced budget via the Council Tax setting report due in February 2017. Any changes to the forecast gap will be included in the February report prior to finalising any decisions on the level of Council Tax increase.

8.15 To close the budget gap Cabinet may wish to consider a range of options including increases in Council Tax, or making additional savings. Given the short timescale before Council Tax is required to be set Cabinet will be mindful of the timescales required to carry out any consultation exercise on savings which might be required in relation to proposals affecting services to its residents.

8.16 It is recommended that further consideration be given to the options for Council Tax setting as part of the February Council Tax report.

8.17 Looking beyond the balancing of the 2017/18 budget, Cabinet should be mindful that a budget shortfall of £2.895m in 2018/19 and £6.325m in 2019/20 still needs to be closed and therefore planning for this will need to continue early in 2017/18 financial year.

9. CAPITAL PROGRAMME

Background to Current Programme

9.1 The Council's overall approach to its Capital Programme has been based on an assumption that a gradual move towards the use of prudential borrowing will be required to meet long term capital investment need. In more recent years, the duration of the planned programme has been kept relatively short, in recognition of the need to maximise the use of receipts, and to avoid additional pressure on the revenue budget.

9.2 Since that time, there has been a continued hold on interest rates, so borrowing remains relatively inexpensive. However, it remains the case that the Council's ability to generate receipts has continued to reduce and it is likely that new capital bids will need to be funded from borrowing rather than receipts during 2017/18 or 2018/19 depending upon the size of the programme.

9.3 For the longer term, financing any form of capital programme will almost certainly be heavily reliant on borrowing, although external financing and Section 106 receipts, through either Section 106 or the new Community Infrastructure Levy (CIL) are expected to remain available, if unpredictable. This therefore potentially brings an additional revenue pressure.

9.4 In setting the 2016/17 Capital Programme the Council approved a budget of £100m for Regeneration and Development. It was agreed that this sum be financed from additional borrowing although the precise timing of the expenditure would depend upon the speed with which suitable schemes would be brought forward for approval. At present £18m of this sum has been committed although a number of schemes are likely to reach project approval stage in coming months. Further discussion on the use of this budget will be included in the Capital Strategy report to be considered by Cabinet in February.

9.5 An indicative block programme of £4.9m for 2017/18 was approved by Cabinet in October representing a continuation of the strategy adopted in recent years. In line with recent strategy it is recommended that a contingency of £2m be included in the draft capital programme with the intention that the release of contingency continues to be delegated to the CFO.

9.6 There is also increasing pressure to fund essential capital expenditure bids not covered by the core programme. For that reason is proposed to include an allocation of £5m for an efficiency programme for schemes which meet the following criteria:

- Schemes will generate ongoing revenue savings
- Schemes which will prevent future growth pressures in revenue expenditure. i.e. cost avoidance.

It is recommended that individual schemes be considered by the Asset Management Team with the final scheme approval being delegated to the Chief Financial Officer in consultation with the Leader of the Council and Lead Member for Financial Management. All schemes would require a clear business case demonstrating the link between investment and revenue savings.

Table 11

Description	£m
Cemeteries	0.160
Parks,	0.510
Libraries	0.145
Leisure	0.185
Street Environment	2.000
Protection of Assets and Health and Safety	0.500
IT Infrastructure	1.000
Regeneration	0.100
Disabled Facilities Grant (Council element)	0.300
Sub total	**4.900**
Efficiency Programme	5.000
Contingency	2.000
Grand total	**11.900**

9.7 As discussed in paragraph 9.3 expansion of the programme is likely to increase the Council's borrowing requirement. Given the potential level of borrowing required to fund Regeneration and Development in 2017/18 and beyond; the historically low level of interest rates and the limited scope to generate new capital receipts it may be appropriate to seek additional borrowing at this time. The implications the additional borrowing requirement will also be addressed in the February reports to Cabinet.

9.8 Cabinet received a report on 12 October 2016 which identified the cost of the phase 4 Schools expansion programme to be £63m of which £49m relates to 2017/18 and beyond. A funding stream of £65m has been identified and includes an estimate of the 2019/20 Basic Needs Allocation of £5m. Given that £2.2m of funding is unallocated this will mitigate against the risk of a reduced grant allocation or increased costs.

10. SUMMARY OF FINANCIAL POSITION

10.1 Based on the factors that are set out in this report, the Council will need to raise income or make additional savings of approximately £13m in order to balance its financial strategy over the next three years. Of this sum £3.8m must be found as part of the budget setting process for 2017/18.

10.2 The financial model makes no assumption for Council Tax increases at this stage. In addition to the general Council Tax increase the Government will allow a Council Tax precept of up to 3% in order to meet the growing costs of Adult Social Care. A final decision about Council Tax increases will not be made until the February Cabinet meeting. Cabinet will be mindful that the maximum Council Tax increase that can be set without carrying out a referendum is 4.99% (3% Adult Social Care Precept plus 1.99% general increase)

10.3 As indicated elsewhere within this report, there are significant pressures arising from the delivery of the 2016/17 budget. At this stage action plans are being developed and implemented with a view to bringing the budget back on track by the close of 2017/18. If this cannot be achieved it will force the Council to make use of its limited earmarked reserves and will further increase the pressures arising in 2018/19 and 2019/20. These matters will be considered in greater depth as part of the final Council Tax report.

11. HOUSING BUDGET

11.1. The HRA budget, together with the proposed housing rent levels, and the HRA capital programme, will be presented to Cabinet in February.

12. GREATER LONDON AUTHORITY (GLA)

12.1 The announcement of the Mayor's draft budget proposals was made on 21 December. This indicated an intention to increase the GLA's Council Tax level, from the current £276 to £280.02 – an increase of £4.02, or around 1.5%. Consultation on the budget proposals ends on 12 January. The final draft budget proposals will be considered by the London Assembly on 25 January and the budget is due to be approved by 20 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 gross budget (capital and revenue) is £15.856 billion.

12.3 The Mayor's 2017/18 draft net revenue expenditure budget is £5.368 billion. Under the proposal the total GLA precept will be increased from £276 a year to £280.02 (for a Band D household). The Mayor's proposed council tax precept draft budget includes £211.80 to support the Mayor's Office for Policing & Crime (principally the Metropolitan Police). The proposed increase is intended to be directed towards the cost of policing.

12.4 The expected reduction of £8 in the Band D Council Tax in respect of the removal of the final element of the Olympic Levy has not materialised. Clarification is being sought from the GLA prior to the closure of their budget consultation and further information will be provided in the February Cabinet report.

REASONS AND OPTIONS

Reasons for the decision:

This enables the Council to develop its budget as set out in the constitution.

Other options considered:

None. The Constitution requires this as a step towards setting its budget.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Council's budget-setting process will ensure that financial implications and risks are fully considered. Any financial implications or risks are covered in this report as necessary. There are significant risks associated with the delivery of the three year financial strategy and with the continuing degree of uncertainty over the future of local Government funding, and the general economic environment, but the steps already taken by the Council should mitigate much of this. However, it will also be necessary to continually refine the financial forecasts underpinning the Council's financial strategy to ensure that any necessary actions can be taken at the appropriate times, allowing for consultation as appropriate.

Legal implications and risks:

There are no direct legal implications or risks from this report. The corporate business planning process will need to take account of new and existing statutory duties and responsibilities that are imposed on the Council by central government even if there are inadequate or no commensurate increases in government funding to finance them. Failure to do so will put the Council at risk of legal challenge by affected residents or businesses.

Human Resources implications and risks:

There are no direct HR implications arising from this report, however, if proposals that require staffing reductions are to be considered as a result of the budget position, these will be managed in accordance with Council policy and procedure.

Equalities implications and risks:

Detailed proposals will need to be assessed as part of the business and service planning process. Equalities impact assessments are produced as standard as part of the detailed budget process.

BACKGROUND PAPERS

The Financial Strategy reports to Cabinet 28 September 2016 and 14 December 2016

APPENDICES

A SETTLEMENT FUNDING ALLOCATION

B MTFS SAVINGS TEMPLATES

C COUNCIL TAX SCHEME EQUALITIES IMPACT ASSESSMENT

D COUNCIL TAX SCHEME SUMMARY