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<b>Subject Heading:</b>	The Council's Financial Strategy
<b>Cabinet Member:</b>	Cllr Roger Ramsey
<b>SLT Lead:</b>	<b>Julie Oldale</b> Interim Chief Finance Officer (Section 151 officer)  01708 433 957 <a href="mailto:Julie.oldale@onesource.co.uk">Julie.oldale@onesource.co.uk</a>
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<b>Policy context:</b>	The Council is required to approve an annual budget and Medium Term Financial Strategy and this report is the third in a series of reports within that process that will conclude with the Budget and Council Tax setting Council in February 2018.
<b>Financial summary:</b>	This report provides an update on assumptions within the Medium Term Financial Strategy approved by Cabinet in October. It sets out further budget proposals to achieve a balanced budget for 2018/19. The report also seeks Cabinet approval for the amendments to the Council Tax Support Scheme from April 2018.
<b>Is this a Key Decision?</b>	Yes
<b>Is this a Strategic Decision?</b>	Yes
<b>When should this matter be reviewed?</b>	February 2018
<b>Reviewing OSC:</b>	Scrutiny Board
<b>The subject matter of this report deals with the following Council Objectives</b>	

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

## **SUMMARY**

Cabinet approved the Council's Medium Term Financial Strategy (MTFS) and further proposals for balancing the 2018/19 budget to go to consultation where necessary at its meeting on 26 October 2017. This was followed by a Budget Update report on 13 December 2017.

The October and December reports set out the Council's financial strategy to manage the predicted budget gap over the period 2018/19 to 2022/23. This report:

- Provides an update on the policy and strategic context and assumptions within the MTFS and the forecast budget gap (section 1)
- Presents for approval amendments to the Council Tax Support Scheme from April 2018 (section 5 and Appendix A).
- Budget Risks (section 6)

The detail in this report is based on the best available information and the funding assumption is still subject to confirmation of the final Local Government Finance Settlement for 2018/19 which will not be announced until January 2018.

Future reports to Cabinet and Council will take account of the impact of the funding changes outlined above as far as is possible. However, the Council's current medium-term working assumptions is that these changes will have a neutral impact on revenue support grant (RSG) or that any reduction in RSG will be matched by an upside in business rates revenue. At this moment in time, we do not have enough information to make any other assumption.

The Council is required by statute to set a balanced budget for 2018/19 and to have a robust plan in place to achieve financial balance over the medium term. The revised assessment of the medium term financial forecast is based upon the best information available at this time. Assumptions will be continually reviewed and refined as work progresses in the period to final budget setting in February 2018. Table 1 sets out the updated budget gap over the period.

## Cabinet 17 January 2018

Breakdown of Movement	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5 Year Plan
<b>Forecast Budget Gap - December</b>	<b>3.990</b>	<b>6.536</b>	<b>14.286</b>	<b>2.537</b>	<b>3.591</b>	<b>30.940</b>
Growth Proposal January	0.441	0.000	0.000	0.000	0.000	0.441
Adjustment - January	(0.273)	1.425	(0.105)	0.657	0.269	1.974
<b>Forecast Budget Gap - January</b>	<b>4.158</b>	<b>7.961</b>	<b>14.182</b>	<b>3.194</b>	<b>3.860</b>	<b>33.355</b>

The movement in the budget gap since the December cabinet figure is due to budget adjustment of £1.974m (as detailed in table 3) over the period (of which £0.273m relates to 2018/19) following the provisional local government financial settlement announcement and further £0.441m made up of £0.271m Legislative practices pressure and £0.170m Capacity pressure (as detailed in table 2 below).

**Table 1 - Breakdown of Growth Proposal January**

Proposal Description	2018/19 £m
2 Additional NNDR Posts to address multitude of NNDR changes moving forward.	0.043
Technical Services pressure	0.228
<b>Total Practice and Legislative Practices/External Grant Reduction</b>	<b>0.271</b>
Increased capacity to support Economic Development.	0.060
Increased capacity to support services	0.110
<b>Total Capacity</b>	<b>0.170</b>
<b>Total One Source Directorate</b>	<b>0.441</b>

**Table 2 - Breakdown of Adjustments in January**

Description	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5 Year Plan
Base Budget realignment	0.032	0.974	( 0.533)	0.345	( 0.014)	0.804
Capital impact	0.169	0.451	0.428	0.313	0.283	1.644
Business Rates Compensation	( 0.474)	( 0.474)	( 0.474)	( 0.474)	( 0.474)	( 0.474)
<b>Adjustment January</b>	<b>( 0.273)</b>	<b>0.951</b>	<b>( 0.579)</b>	<b>0.184</b>	<b>( 0.205)</b>	<b>1.974</b>

At period eight the forecast outturn position for service directorates and oneSource is £140.207m resulting in a forecast overspend of £4.367m (3.31%), as set out in section 3 below. The uncommitted Corporate Risk Budget and Corporate Contingency budgets stand at £4.900m (£1.6m reduction from the £6.500m reported in the December) to enable the overall outturn to be achieved within the approved budget for 2017/18. However, in light of the reduction in these corporately held budgets in from December 2017 to January 2018 and further forecast reduction expected in 2018/19, it is crucial for financial sustainability over the medium term, that service directorates manage their ongoing expenditure within approved budgets.

The Senior Leadership Team continues to focus upon delivering mitigating action plans and previously agreed savings plans and exercising restraint on non-essential expenditure. A further update with mitigating action plan will be provided to Cabinet in February 2018.

This report provides an update on the London Business Rate Pilot Pool from April 2018. Following the confirmation of Government's commitment to the 2018/19 London Business Rates retention pilot in the Autumn statement a formal confirmation in a form of Memorandum of Understanding was signed by the Mayor, the Chair of London Councils; the Minister for London and Secretary of State for Communities; and Local Government in December 2017. Further details are set out in section 1.

## **RECOMMENDATIONS**

Cabinet is asked to:

1. **Note** the progress made to date with the development of the Council's budget for 2018/19 and of the implications for Council Tax setting, although no decisions will be taken until the February cabinet meeting.
2. **Note** the outcome of the Autumn Budget Statement and the likely impact on local authorities.
3. **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.
4. **Note** that a public engagement exercise on the budget process will be carried out during January 2018.
5. **Recommend to Full Council** that the Council Tax Support Scheme 2018 is approved. (Appendices A and B)
6. **Note** the Equalities Impact Assessment in respect of the Council Tax Support Scheme as set out in Appendix B

## **REPORT DETAIL**

**1 Policy and Strategic context**

- 1.1. This report provides an update on the policy and strategic context and assumptions, in year financial performance and budget gap within the MTFS approved by Cabinet in October and December.
- 1.2. The Secretary of State for Communities and Local Government announced the provisional 2018/19 Local Government Finance Settlement on 19th December 2017. The Settlement outlines provisional Settlement Funding Assessment (SFA) and Core Spending Power (CSP) allocations for local authorities for 2018/19 as well as 2019/20 allocations. Further details provided in section 2.
- 1.3. Cabinet has previously received two progress reports on the Council's Medium Term Financial Strategy (MTFS). On 26th October 2017 and 13th December 2017 update reports were provided which reviewed and updated the key underpinning assumptions in the MTFS in relation to;
- Business Rates
  - The Impact of the London Business Rates Pool Pilot
  - Council Tax Base and Council Tax
  - Better Care Fund and Improved Better Care Fund
  - New Homes Bonus
  - Housing and Homelessness
- 1.4. Since the October and December reports there has been further progress in these areas which are set out below and reflected, where relevant, in the revised forecast:

Business Rates

- 1.5. In the autumn budget, the Chancellor confirmed that the enhancing of business rates switched from RPI to CPI will be brought forward to April 2018 (2 years earlier than planned). Any shortfall arising from the switch to CPI is expected to be funded by central government thereby no detrimental effect on Local authorities is anticipated.
- 1.6. The provisional LGFS confirmed that the government intends to move to a system of 75% business rates retention across local government in 2020-21. This is expected to include rolling in RSG, Rural Services Grant, GLA Transport Grant and Public Health Grant.

The London Pilot and the impact of the pilot

- 1.7. As part of the autumn budget announcement, Government confirmed its commitment to the 100% business rates retention pilot in London in 2018-19. Subsequently, a formal confirmation in a form of Memorandum of Understanding (MOU) was signed by the Mayor, the

Chair of London Councils, the Minister for London and Secretary of State for Communities and Local Government in December 2017.

- 1.8 The MOU established Government's commitment to giving participating Authorities greater control over the revenues they raise; subject to the evaluation of the Pilot. Government will work with London Local Authorities and the GLA to explore the options for grants including, but not limited to: Public Health Grant and the Improved Better Care Fund being transferred to the Pool; the potential for transferring properties in London on the central list to the local list where appropriate; and legislative changes needed to develop a joint committee model for future governance of a London pool.
- 1.9 Furthermore, the MOU confirmed the Pool will aim to improve the well-being of the communities the Participating Authorities serve in London. By working together they can retain a greater proportion of business rate growth within London, providing opportunities to further economic growth as well as building financial resilience.
- 1.10 The Principles of the Pilot Pool remains as highlighted in the October and December cabinet report; from 1 April 2018 the Participating Authorities shall retain 100% of their Business rate and that no authority will be worse off than they are under the current scheme. All participating Authorities will receive 100% of the value of the lost income via Section 31 Grant from the Government in respect of changes to the business rates system.
- 1.11 As a result of the pool, DCLG will not pay RSG to London Local Authorities in 2018/19 but the equivalent value of the estimated RSG in 2018/19 (£6.847m for Havering) will be rolled into the Business rate pot. Tariffs and top-ups will be adjusted accordingly to reflect both the 100% retention of rating income and higher funding baselines.
- 1.12 The rules under the 100% rates retention Pilot will be as the existing scheme subject to the 67% retention scheme in place in 2017-18 (which reflects the incremental impact of the GLA's partial pilot as a result of the rolling in of the GLA's RSG and the Transport for London investment grant). No "new burdens" will be transferred to the Participating Authorities and participation in the Pilot will not affect the development or implementation of the Fair Funding Review.
- 1.13 The deadline for any authority wishing not to accept the designation is the 16<sup>th</sup> January 2018 (28 days from the date the draft Local Government Finance Report is published i.e. 19 of December 2017). If no authority requests an annulment, the pool will come into effect on 1 April 2018 and all local authorities within the pool will remain in the Pilot pool for the full financial year 2018/19. For Authorities in an existing pool (including Havering), the designations under those pools are revoked.

Council Tax Base

- 1.14 The estimated base for next year has been set at £113.268m. The calculation has been affected by the changes relating to Council Tax Support, long term empty properties and a general rise in the number of properties within the borough.
- 1.15 This is in line with previously assumed growth of £0.980m (0.89%) in the tax base as reported in the October cabinet report.

Council Tax

- 1.16 In the provisional LGFS, the Government announced a change to the council tax referendum principles by increasing in the council tax referendum threshold in 2018/19 and 2019/20 from 2% to 3%. This change means that Councils will have the ability to increase their core Council Tax requirement by an additional 1% without the need for a local referendum.
- 1.17 A 1% increase in LB of Havering's Council Tax will generate additional income of around £1.101m.

Better Care Fund and Adult Social Care Grant

- 1.18 A review of the 2018/19 Improved Better Care Fund (iBCF) allocations announced at Spring Budget was conducted by the Department for Communities and Local Government (DCLG) in November 2017. The result of the review confirmed there will be no impact on the additional iBCF allocation in 2018/19.
- 1.19 The LGFS confirmed the continuation of the Adult Social Care precept in 2018/19 and confirmed publication of a 'Green Paper' in summer 2018 that will address the future challenges of adult social care funding.
- 1.20 Havering's share of the additional iBCF allocation in 2018/19 (£2.844m) has been incorporated into the Council's medium term forecasting model.

Public Health

- 1.21 On 19 December 2017, the Secretary of State for Communities and Local Government announced the move towards increased business rate retention by local government from 1 April 2020. Thereby confirming the Public Health Grant ring-fence and grant conditions will remain in place until 31 March 2020. From April 2020, it is expected that the Public Health Grant will be replaced by retained business rates
- 1.22 Havering's provisional Public Health grant allocation for 2018/19 is £10.935m, a reduction of £0.289m compared to 2017/18 allocation of

£11.224m. The indicative allocation for 2019/20 is £10.646m, a further reduction of £0.289m compared to 2018/19 allocation.

New Homes Bonus (NHB)

- 1.23 The provisional NHB allocations for 2018/19 were published as part of the LGFS announcement. Overall NHB funding has fallen as a result of the reforms announced last year by £280.7m (22.9%) with London boroughs' allocations fallen by £60.3m (23.1%).
- 1.24 Havering's NHB forecast allocation has reduced by (£0.424m) compared to that published as part of the 2017 Settlement. These revised figures for the NHB have been built into the Financial Plans shown in this report.

Housing and Homelessness

- 1.25 With the advent of the Homelessness Reduction Act the Council, together with all local authorities, is facing a range of different duties and obligations. The new range of duties will impose significant financial pressure and a whole new range of housing solutions will need to be created. In addition, the ever increasing cost of solutions within the private sector is adding to the pressures being faced. In order to meet these new challenges officers have devised a new staffing arrangement with the required skill sets to meet the wider ranging client groups.
- 1.26 In addition, we are actively engaging with the private sector and voluntary organisations to seek innovative property and person centric resolutions. We are making greater use of "find your own" Schemes by, supporting residents financially with deposit payments. We are also running a pilot to have earlier intervention and prevention working with local landlords. This was well received at our recent Private Landlords event held at the CEME centre.
- 1.27 In the autumn budget 2017 the government announced the Private rented sector access schemes. This is to support households at risk of homelessness and will provide £20 million of funding for schemes to support people at risk of homelessness to access and sustain tenancies in the private rented sector. It is the Council's intention to build on the success of its "find your own" scheme and approach central government for access or bidding details as policy in this area develops.
- 1.28 In conjunction with the LGFS, the Government published Flexible Homelessness Support Grant allocations for 2018/19. London boroughs will receive £115.8 million in 2018/19. Havering's indicative allocation in respect of the Flexible Homelessness Support Grant in 2018/19 is £1.6m



- 1.29 The Government published the Homelessness Reduction Act new burdens funding in October 2017. LB Havering will receive £0.213m and £0.201m in 2018/19 and 2019/20 respectively.

**2. The Local Government Financial Settlement and General Financial Prospects.**

Local Government Financial Settlement (LGFS)

- 2.1 The provisional 2018/19 Local Government Finance Settlement was announced on 19 December 2017. The Settlement outlines provisional Settlement Funding Assessment (SFA) and Core Spending Power (CSP) allocations for local authorities for 2018/19 and illustrative allocations for 2019/20 (which will be the final year of the current “four year offer” period). The full implications are currently being analysed and, where known, have been built into this update. Highlights of the settlement include;

- The Council Tax referendum threshold will increase by 1% to 3% in 2018/19 and 2019/20.
- Transitional Relief Grant is not continued into 2018/19.
- 11 new pilots have been confirmed for 2018/19 (including the London pilot pool) as well as the 5 existing pilots continuing – with a commitment to further pilots in 2019/20
- Plans to move to 75% business rates retention in 2020/21 across local government were announced
- A further consultation has been published on the Fair Funding Review (deadline 12 March), and government confirmed its intention to implement new funding baselines in 2020/21
- £19m was announced for Universal Adults Social Care (although figures have not been published at the time of writing)

Core Spending Power

- 2.2 The 2018/19 LGFS included two new funding elements within the Core spending Power in 2018/19 compared with 2017/18; the compensation for the change from RPI to CPI indexation and the separate funding for New Homes Bonus.
- 2.3 Havering's indicative allocation of the compensation for the change from RPI to CPI indexation is £0.700m in 2018/19 and £1m in 2019/20. Whereas the funding for NHB indicative allocation is £4.4m in 2018/19 and £3.8m in 2019/20. However the Adult Social Care (ASC) Support Grant (£6.565m) and the Transition Grant (£1.2m in 2017/18) were excluded for 2018/19.

Havering's Settlement Funding Allocation

- 2.3 The Government has confirmed total Settlement Funding Assessment to be £16.9 billion in 2018/19. This comprises £1.4bn of Revenue Support Grant (RSG) and £15.6bn of Baseline Funding. At a national level, SFA will reduce from £17.9bn in 2017/18 to £16.9bn in 2018/19 (5.4%).
- 2.4 The provisional funding allocation is used to determine Havering's Settlement Funding Allocation. For 2018/19 LB Havering SFA will reduce by £4.5m (10%) from £44.6m in 2017/18 to £40.1m.

Fair Funding Formula

- 2.5 The Secretary of State launched the consultation on the funding formula which determines the level of financial resource that Local Authorities need to fund local needs. The consultation will take place over the next 12 weeks. Officers will consider this consultation when it is published and prepare the Council's response. The intention is that the new needs formula will be implemented from 2020/21

Unringfenced Grants

- 2.6 Government announced the provisional Unringfenced Grants allocation on the 19 of December 2017. Havering's indicative allocations from Government in respect of the Unringfenced Grants for 2018/19 is £9.890m and £10.472m in 2019/20 as detailed below.

**Table 3 - Unringfenced grant**

Indicative Unringfenced grant	2018/19 £m	2019/20 £m
New Homes Bonus	4.376	3.814
Improved Better Care Fund	4.822	5.619
Under-indexing compensation grant	0.693	1.040
<b>Total</b>	<b>9.891</b>	<b>10.472</b>

Revenue Support Grant (RSG)

- 2.7 As a result of the London Business Rate pilot pool, the equivalent value of the estimated RSG in 2018/19 (£6.847m for Havering) will be rolled into the Business rate pot.

Capital Receipts Flexibility

- 2.8 The provisional LGFS confirmed the continuation of Capital Receipts Flexibility for a further three years from 2018/19. This provides the authorities with the additional flexibility to use funds from capital receipts to invest in organisational transformation programmes to deliver cost and efficiency saving plans.

- 2.9 Details of the Council's proposed use of Capital receipts for the MTFS the period 2018/19 to 2022/23 will be reported in the February cabinet report as part of the Capital programme update.

Transition Grant

- 2.10 The LGFS confirmed no Transition Grant will be made to Local authorities in 2018/19.

Council Tax Referendum Threshold

- 2.11 In addition, the council tax referendum threshold has been increased in 2018/19 and 2019/20 from 2% to 3% for the general council tax increase. The adult social care precept rules remain the same.

### 3. CURRENT FINANCIAL POSITION

- 3.1 The 2017/18 original net budget as agreed by Full Council in February 2017 was £156.369m. At period eight after adjusting for grant re-allocation and in-year inter-directorate budget virements, the revised net controllable budget is £165.341m.
- 3.2 The total net controllable budget (£167.341m) reflects the combination of corporate budgets of £31.500m and service expenditure budgets £135.840m.
- 3.3 The forecast outturn position on the service budgets is £140.207m resulting in a forecast overspend of £4.367m (3.21%), as set out in table 5 below.

Table 4 - 2017/18 Period 8 Forecast Outturn

Directorate	Original Budget	Revised Budget	Forecast Outturn	Forecast Outturn Variance	
	£m	P8 £m	£m	£m	%
Public Health	(0.300)	(0.308)	(0.308)	0.000	0.00
Children's Services	32.502	35.945	38.611	2.666	7.42
Adult Services	55.021	57.345	57.345	0.000	0.00
Neighbourhoods	12.394	14.263	15.062	0.799	5.60
Housing	1.356	1.941	3.156	1.215	62.59
oneSource Non-Shared	0.735	1.888	1.849	(0.040)	(2.10)
Chief Operating Officer	7.154	7.036	6.820	(0.216)	(3.07)
SLT	1.019	1.308	1.293	(0.015)	(1.12)
oneSource shared	14.788	16.421	16.378	(0.042)	(0.26)
<b>Service Total</b>	<b>124.669</b>	<b>135.840</b>	<b>140.207</b>	<b>4.367</b>	<b>3.21</b>

3.4 The uncommitted Corporate Risk Budget and Corporate Contingency budgets currently stands at £4.900m (£1.6m reduction from the £6.500m reported in the December) to enable the overall outturn to be achieved within the approved budget for 2017/18. These corporately held budgets are forecast to reduce further by the 31 of March 2018 therefore, service directorates are asked to investigate variances and trends and also to identify further measures to assist in containing expenditure within overall budget in order to ensure financial sustainability over the medium term.

3.5 The demand and cost pressures associated with Children's services, Housing Demand in relation to Private Sector Leased (PSL) properties and Homelessness service are the key reasons for the forecast overspend.

SLT are focussed upon the delivery of mitigation and savings plans and general restraint on non-essential expenditure to manage the outturn within budget by the end of the financial year. A further update will be provided in February cabinet report together with detailed mitigating action plans aiming to recover the underlying predicted pressure at 2017/18.

3.6 The material forecast variances at period eight relate to:

Neighbourhoods - £0.799m forecast overspend

Neighbourhoods is experiencing financial pressure within year due to a number of delayed savings and other in year pressures, some of which are being mitigated by the generation of additional income in excess of budget.

Housing Services - £1.215m forecast overspend

As reported in the December Cabinet report, the financial pressure in the Housing services remains predominantly in the homelessness demand pressures. Cost of prevention options are being used to minimise pressure.

Children's Services - £2.666m forecast overspend

Children's Service is experiencing in year one off overspends on placements for looked after children, permanent placement allowances, fostering and asylum seekers adoption costs and agency staff costs. In addition there are base budget pressures on SEN Home to School transport, SEND costs and placements for children with disabilities.

These are offset by underspends in fostering staffing cost and an inflation provision allocation for Children's Social Services. There are

some financial pressures in relation to a number of delayed savings for which alternatives are being sought, alongside the ongoing transformation work.

Children's Directorate has been working in recent weeks on analysis to support a revised financial recovery plan. In addition, a deep-dive exercise into the children's financial position to assist with firming up the position for next financial year and the implications for the 2019/20 onwards is underway. A further update will be provided in February.

#### **4. PUBLIC ENGAGEMENT AND CONSULTATION**

- 4.1 Cabinet approved the Council's Medium Term Financial Strategy (MTFS) and initial proposals for balancing the 2018/19 budget to go to consultation where necessary at its meeting on 20th October 2017. On 13th December 2017, a further report was presented to Cabinet which provided further savings proposals and updated the key underpinning assumptions in the MTFS. Since the October cabinet, work has continued in identifying and developing the proposals to bridge the funding gap over the five year MTFS period.
- 4.2 A public engagement exercise on the budget will begin in January 2018. The outcomes of the consultation process will be reported to Cabinet in February 2018 to inform Cabinet's consideration of the detailed savings proposals.

#### **5. OTHER KEY MATTERS**

##### **Inflation and Interest Rates**

- 5.1 In November 2017, the Office for Budget Responsibility announced inflation is now expected to peak at 2.7% rather than 2.3% as forecast at the Spring Budget. Furthermore, as a result of the uncertainty around Brexit, economic forecasters are predicting a diverse range on inflation over the next three years.
- 5.2 The Bank of England suggested in its November 2017 inflationary forecast CPI would peak at 3.25% in 2017 and fall back towards its own target of 2% reaching 2.5% by 2019. For 2018/19, the MTFS has allowed for a 3% inflation increase on fees and charges in line with current CPI.

##### **Fees and Charges**

- 5.3 The Council continues to review its discretionary fees and charges and the cost of service provision to ensure that income generated will meet the full cost of service provision which is in line with the medium term shift to financial self-sufficiency.

- 5.4 The fees and charges review process commenced in July 2017. As reported in the MTFS October cabinet report, a 3% increase in fees and charges is assumed in the MTFS to keep track with the UK Consumer Price Inflation (CPI) which was 2.9% in August 2017 and 3.1% in November 2017.
- 5.5 Fees & charges are to be increased by 3% in line with the draft financial strategy. The schedule of revised charges will be included in the February cabinet report.

### **Concessionary Fares and Taxicard Scheme**

- 5.6 The Freedom Pass gives free travel concessions 24 hours a day to eligible older and disabled residents on Transport for London (TfL) services and after 9.30am on National Rail and independently operated bus services in Greater London.
- 5.7 Havering Council's contribution to the Concessionary Fares as presented to London Councils' Transport & Environment Committee on the 7 of December 2017 is £8.177m. The 2018/19 contribution level has been reflected in the budget report.

### **Pension Fund**

- 5.8 The financial strategy reflects the level of employer contributions required to ensure the long term solvency of the Pension Fund as set out in the 2016 triennial valuation report provided by the council's actuaries incorporating the minimum employer contributions required for the three financial years commencing April 2017.

### **Levying Bodies**

- 5.9 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 £16.734m, of which ELWA accounts for £15.992m. 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**

- 5.10 Provision has been made within the Council's Medium Term Financial Strategy for increases in the ELWA levy of £1.017m in 2018/19 and £1m per annum thereafter.
- 5.11 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**

- 5.12 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)**

- 5.13 London Councils Grants Scheme Budget Proposals 2018/19 as presented to Leaders' Committee on the 5th December 2017 detailed the indicative overall budget requirement for the London Boroughs Grants Scheme for 2018/19 of £8.668m, the same level as for 2017/18 after deducting borough repayments and City Bridge Trust support in 2017/18.
- 5.14 The proposed total expenditure budget of £8.668m will be funded by borough contribution of £6.668m, European Social Fund (ESF) grant income of £1m and a transfer from accumulated Section.48 ESF reserves of £1m.
- 5.15 LB Havering contribution to the 2018/19 London Councils subscription is £0.192m, a 2.88% reduction compared to the 2017/18 cost of £0.220m.

**6 COUNCIL TAX SUPPORT SCHEME 2018**

- 6.2 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.
- 6.3 Under the Local Government Finance Act 1992, Full Council is required to endorse the Council Tax Scheme effective from 1 April 2018 before 31 January 2018. The Council proposes to maintain the current Council Tax Support Scheme in 2017 for 2018 and makes no amendment to the current local scheme.
- 6.4 The Council also has duties under the Equality Act 2010, most particularly the duties in s149. Consequently, an Equalities Analysis is attached to this report at App B along with a summary version of the proposed Council Tax Support Scheme for 2018 attached at Appendix A. An Equality Impact Assessment (EIA) 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> along with a copy of the 2017 Council Tax Support Scheme.

## 7 Budget Risk

- 6.1 The provisional Settlement confirmed the continuation of Capital Receipts Flexibility for a further three years from 2018/19. This provides the Council with the additional flexibility to use funds from capital receipts to invest in transformation and the delivery of saving plans.

## 8 Revised Medium Term Financial Strategy

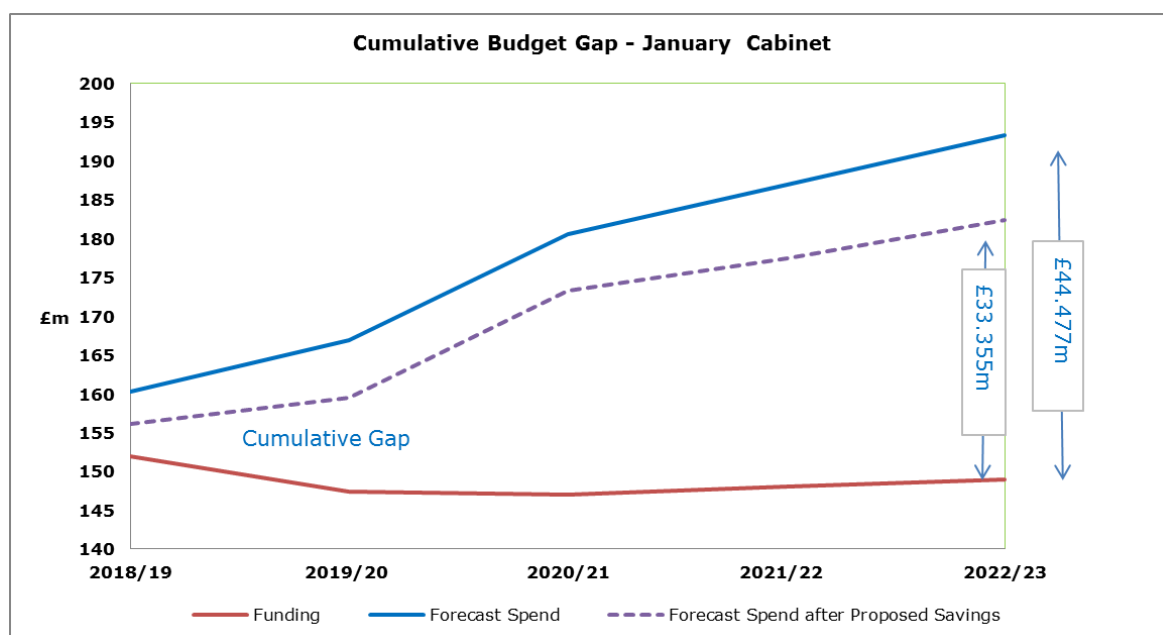
- 7.1 The Cabinet report on 26th October 2017 and 13th December 2017 sets out the progress made towards setting a balanced budget in 2018/19. This report identifies the current budget position that needs to be addressed between now and the report to Cabinet on 7 February 2018, prior to Council on 21 February 2018, agreeing the Budget and Council Tax for 2018/19, the MTFS and Capital Programme 2018/19 to 2022/23.
- 7.2 Tables 6 below illustrations the movement in the forecast budget gap for the period 2018/19 to 2022/23 since the December report.

Table 5 - Breakdown of Movement

Breakdown of Movement	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5 Year Plan
Forecast Budget Gap - December	3.990	6.536	14.286	2.537	3.591	30.940
Growth Proposal January	0.441	0.000	0.000	0.000	0.000	0.441
Adjustment - January	(0.273)	1.425	(0.105)	0.657	0.269	1.974
Forecast Budget Gap - January	4.158	7.961	14.182	3.194	3.860	33.355

- 7.3 The £0.441m growth pressure in 2018/19 is as a result of Legislative practice (£0.271m) and £0.170m Capacity pressure (as detailed in table 2 and 3).
- 7.4 The cumulative budget gap has increased to £33.355m over the period and £4.158m in 2018/19, due to other adjustments in the forecast as a result of the provisional Local Government Finance Settlement.
- 7.5 Figure 1 below illustrates the revised forecast cumulative budget gap over the 5 year period to 2022/23 based upon the assumptions set out in the remainder of the report in relation to expenditure pressures and future funding streams:





7.6 The forecast is based upon a number of key assumptions as reported in October and December 2017 cabinet reports and updated to take account of the provisional Local Government Finance Settlement figures.

7.7 Cabinet approved total savings of £9.632m including £3.554m in 2018/19 at its meeting in October and a further £1.390m of which £0.588m relates to 2018/19 at its meeting in December. All of these savings have been incorporated into the forecast figures.

## 8. Timetable and approach for Budget Setting

SLT are continuing to work to develop further budget proposals for consideration by Cabinet as follows

- January Scrutiny Board
  - Review and Challenge of Cabinet approved proposals
  - Further update on financial assumptions
- February Cabinet
  - Final budget and council tax proposals and results of consultation considered and approved to recommend to Council
  - Final consideration of Capital Programme including Housing Capital Programme and recommendation to Council
  - Final consideration of the Treasury Management Strategy and approved to recommend to Council
  - Consideration and approval of the Housing Revenue Account
- February Council
  - Council Tax Setting Report
  - Consideration and approval of reports recommended by February Cabinet

## REASONS AND OPTIONS

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

This enables the Council to develop its budget as set out in the constitution. The Council Tax support scheme from April 2018 needs to be approved by Council.

### **Other options considered:**

None. The Council is required to prepare and set a balanced budget and to approve the Council Tax support scheme.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

The financial implications of the Councils MTFS are the subject of this report and are therefore set out in the body of this report.

### **Legal implications and risks:**

The Council is subject to a number of financial duties, for instance, the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance Act 1999. The Council is also required to set a balanced budget, taking into account a range of factors, and decisions must also be taken in accordance with the Council's duties under the Equality Act 2010.

### **Human Resources implications and risks:**

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance

### **Equalities implications and risks:**

Under Section 149 of the Equality Act 2010 the Council has a duty, in the exercise of its functions, to have due regard to the need to

- Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.

- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not.

The “protected characteristics” are: age, disability, race, religion or belief, sex, sexual orientation, pregnancy and maternity, and gender reassignment. Marriage and civil partnership are also a protected characteristic for the purposes of the duty to eliminate discrimination.

The preparation of the budget is a Council function. All proposals are being evaluated during the budget process to understand their impact and detailed equality impact assessments will be undertaken when any final decisions are taken in relation to specific proposals, with mitigating actions identified to minimise any adverse impact identified where possible. However, the Council also faces significant challenges in achieving a balanced budget, not only in terms of funding reductions, but also in terms of the rising demand for services, and budgetary constraints are a legitimate consideration in making decisions.

An analysis of proposed Council Tax support scheme is attached at Appendix B scheme remains unchanged since 2015 where an equalities analysis was also undertaken.

<b>BACKGROUND PAPERS</b>
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