Havering
LONDON BOROUGH

CABINET

7 February 2018

Subject Heading:	**THE COUNCIL'S MTFS and BUDGET 2018/19**
Cabinet Member:	**Councillor Roger Ramsey**
SLT Leads:	**Debbie Middleton** Chief Finance Officer (Section 151)
Report Author and contact details:	**Toyin Bamidele** Financial Strategy Manager 01708 431979 Toyin.bamidele@onesource.co.uk.
Policy context:	This report presents the Council's 2018/19 budget and Medium Term Financial Strategy (MTFS) for agreement by Cabinet and recommendation on to Council for consideration and approval.
Financial summary:	The Council is required to set an annual budget for 2018/19 and MTFS for the five year period ending 2022/23. The report includes recommendations to Council for the formal budget-setting process and setting a Council Tax increase of 1.5% (plus a 2.00% Adult Social Care precept) for the Havering element of Council Tax and recommends to Council the Council Tax level at band D as £1,363.83, before inclusion of the GLA precept.
Is this a Key Decision?	**Yes**
Is this a Strategic Decision?	**Yes**
When should this matter be reviewed?	Annually
Reviewing OSC:	Overview and Scrutiny Board

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

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

ALL MEMBERS ARE ASKED TO RETAIN THIS REPORT AND ITS APPENDICES FOR REFERENCE AT THE COUNCIL TAX MEETING ON 21st FEBRUARY 2018

SUMMARY

This report presents Council's proposed budget for 2018/19 and Medium Term Financial Strategy (MTFS) to 2022/23 for approval. This follows consideration of the draft MTFS by the Cabinet and Overview and Scrutiny Board in January 2018 and receipt of the provisional Local Government Finance Settlement 2018/19 (LGFS).

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. Cabinet received reports in October 2017, December 2017 and January 2018 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 Local Government Financial Settlement (LGFS) outlined provisional Settlement Funding Assessment (SFA) and Core Spending Power (CSP) allocations for local authorities for 2018/19 and the indicative allocations for 2019/20 (which will be the final year of the current "four year offer" period). The provisional LGFS provided greater clarity over the reduced funding stream and is reflected in the Medium Term Financial Strategy (MTFS).

This report:

- Provides an update on the overall financial strategy;
- Updates members on any matters which were outstanding at the time of presenting the January report including the Council Tax Base and Business Rate yield as well as the updated position on levies and precepts.
- Sets out the final proposals to balance the Council's budget for 2018/19;
- Sets out the remaining budget gap to be closed between 2019/20 and 2022/23;

The Cabinet report of 17 January 2018 updated Members on the provisional Local Government Financial Settlement, the impact on the proposed MTFS, budget for the 2018/19 and the latest 2017/18 forecast outturn.
The Senior Leadership Team (SLT) has continued to work to develop proposals to balance the 2018/19 budget to be considered by this Cabinet and Council on 21 February. Savings proposals and the application of Government Grants have reduced the

budget gap of £4.158m in 2018/19 rising to £33.355m by 2022/23 reported in January to £4.029m in 2018/19 rising to over £34.053m cumulatively by 2022/23.

In order to balance the budget for 2018/19, an increase in the Havering element of Council Tax of 1.50% plus a 2.00% precept for Adult Social Care is required as summarised in the table below. Havering's annual band D figure would increase from £1,317.71 to £1,363.83, an increase of £46.12 (3.5%). Further information is set out in section 6.

Table 1 - Movement in Forecast Budget Gap

Breakdown of Movement	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5 Year Plan
Forecast Budget Gap - January	**4.158**	**7.961**	**14.182**	**3.194**	**3.860**	**33.355**
Additional adjustment following PLGFS	(0.083)	2.089	0.000	0.000	0.000	**2.006**
Capital Financing Impact	(0.046)	0.291	(1.296)	1.402	(1.658)	**(1.308)**
Forecast Budget Gap - February	**4.029**	**10.341**	**12.886**	**4.596**	**2.201**	**34.053**
LBH Council Tax increase 1.5%	**(1.727)**					**(1.727)**
ASC Precept 2%	**(2.302)**					**(2.302)**
Budget Gap	**0.000**	**10.341**	**12.886**	**4.596**	**2.201**	**30.025**

As previously reported, the SLT is also developing longer term plans to deliver further transformational change and demand management to address the £30.025m budget gap that remains between 2019/20 and 2022/23. The local government financial environment is predicted to remain challenging and the financial pressures in future years are likely to increase as they have over the last decade in particular. This will require the Council to rethink its operating model, its approach to prioritisation and pursue alternative service models in order to achieve financial sustainability in delivering services over the medium to long term.

Given that the long awaited Green Paper on Adult Social Care is delayed to the Summer 2018, uncertainty remains around long term funding and this is reflected in the assumption that iBCF will not continue beyond 2019/20 in line with Government announcements to date. Forecasts will be updated as more information becomes available in relation to Social Care Funding, the Fair Funding review and the wider plans for fiscal devolution through Business Rates Retention. However, the Council will need to be prepared for the worst case scenario in order to be able to close the c£23m budget gap that is forecast by 2020/21.

The SLT is scheduling the presentation of plans and proposals for consideration by the new Administration for as soon as is practicable following the local elections in May 2018. It will be essential for these proposals to be progressed promptly and at pace during 2018/19 to provide sufficient lead in time to deliver savings and income generation initiatives, to address the forecast pressures in 2019/20 onwards.

In January 2018, the Mayor of London revised his proposed increase in the Band D precept paid by taxpayers in the 32 London Boroughs by total proposed of £14.21 from £280.02 in 2017/18 to £294.23 in 2018/19 (an increase of 5.07% overall).

Within this sum, the police element of the Band D precept level will increase by £12 in 2018/19 and 1.99% each year thereafter from 2019/20 to 2021/22. This is in line with the Home Office expectations set out in Spending Review 2015 adjusted to reflect the 2018/19 provisional police settlement assumptions in relation to council tax flexibility for that financial year.

The non-police Band D precept is assumed to increase by £2.21 or 2.99% in 2018/19 – in line with the revised referendum threshold of 3% confirmed by the Government in the provisional local government finance settlement, with the revenues generated allocated to the London Fire Brigade.

Consultation on the budget proposals ended on 12 January 2018. The final draft budget proposals will be considered by the London Assembly on 22 February 2018 and the budget is due to be approved by 28 February 2018. Any changes to the GLA position will be reported at the Cabinet meeting if known, but it is not expected that they will be available for the Havering Council meeting on 21 February.

On the assumption that this is approved by the London Assembly, the combined band D figure would increase from £1,597.73 to £1,658.05 an increase of £60.52 (3.78%). The table below summarises the position:

Table 2 - Havering's band D Council Tax 20181/9

	Band D Council Tax £	% Increase/ (Decrease)	£ Increase/ (Decrease)
General Requirement	1,287.75	1.50%	19.77
Adult Social Care Precept	76.08	2%	26.35
Total Havering Precept	**1,363.83**	**3.50%**	**46.12**
GLA Precept	294.23	5.07%	14.21
Total	**1,658.06**	**3.78%**	**0.27%**

The proposed capital programme in section 9 incorporates new projects of £253.853m and will result in the Council’s total future borrowing for the General Fund increasing to £151.153m. The 2018/19 capital financing budget within the revenue account will increase to £10.518m (which equates to 6.62% of the 2018/19 revenue budget) to meet the cost of debt repayment and interest and has been included within the MTFS (see section 7).

RECOMMENDATIONS

Cabinet is asked to:

1. **Note** the forecast outturn on service directorates at period 9 and the actions being taken by SLT to manage expenditure within approved budgets set out in section **5.**

2. **Approve** the income generation and savings proposals as set out in **Appendix A**.

3. **Consider** the advice of the Chief Finance Officer as set out in **Appendix F** when recommending the Council budget.

4. **Approve** the following budgets for 2018/19:

   - The Council's General Fund budget as set out in **Appendix D**.
   - The Delegated Schools' draft budget set out in section 4 of this report
   - The Capital Programme as set out in section 9 of this report and **Appendix G**,

5. **Delegates** to the Chief Financial Officer the implementation of the 2018/19 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities are required.

6. **Agrees** that the Chief Financial Officer be authorised to allocate funding from the Capital Contingency included within the draft Capital Programme.

7. **Agree** that the relevant Cabinet Member, together with the Cabinet Member for Financial Management, ICT (Client) & Transformation be delegated authority to commence tender processes and accept tenders for capital schemes included within the approved programme under the block programme allocations or delegation arrangements set out in this report.

8. **Agrees** that to facilitate the usage of unringfenced resources, the Chief Financial Officer in consultation with Service Directors will review any such new funds allocated to Havering; make proposals for their use; and obtain approval by the Cabinet Member for Financial Management, ICT (Client) & Transformation.

9. **Delegates** to the Chief Financial Officer in consultation with Service Directors the authority to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements, where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation with Cabinet Members as appropriate.

10. **Approves** the schedule of proposed Fees and Charges set out in **Appendix J**, with any recommended changes in year being implemented under Cabinet Member delegation.

11. **Agrees** that if there are any changes to the GLA precept and/or levies, the Chief Financial Officer authorised to amend the recommended resolutions accordingly and report these to the next Council meeting as required.

12. **Recommend to Council for consideration and approval**:

- The General Fund budget for 2018/19
- The Council Tax for Band D properties and for other Bands of properties, all as set out in **Appendix D**, as revised and circulated for the Greater London Authority (GLA) Council Tax.
- The Delegated Schools' budget for 2018/19, as set out in section 4.
- The Capital Programme for 2018/19 as set out in section 9 and supported by Annexes 1, 2 and 3 of **Appendix G**.
- That it pass a resolution as set out in section 11.3 of this report to enable Council Tax discounts to be given at the 2017/18 level.

REPORT DETAIL

1 Policy and Strategic context

1.1 This report presents Council's proposed budget for 2018/19 and Medium Term Financial Strategy (MTFS) to 2022/23 for approval. This follows consideration of the draft MTFS by the Cabinet and Overview and Scrutiny Board in January 2018 and receipt of the provisional Local Government Finance Settlement 2018/19 (LGFS).

1.2 A public engagement exercise on the proposed budget strategy was carried out between 5 January and 2 February 2018. The results of the public engagement exercise and consideration by Overview and Scrutiny are not available at the time of producing this report but will be circulated prior to the Cabinet meeting.

1.3 Cabinet has previously received three progress reports on the Council's Medium Term Financial Strategy (MTFS). On 26 October 2017, 13 December 2017 and on 17 January 2018, that reviewed and updated the key assumptions in the MTFS.

1.4 Since the January report a number of matters have now been confirmed and are included in the revised MTFS. These are summarised below and explained in further detail subsequently:

- London Business Rates Pool Pilot
- Council Tax Base and Council Tax
- Levies and Precepts
- New Homes Bonus
- Local Government Financial Settlement (LGFS)

London Business Rates Pool Pilot

1.5 The decision to participate in the 100% London Business Rates Pilot Pool with effect from 1 April 2018 was made via Key Executive decision by the Leader on 15 January 2018.

Council Tax

1.6 For 2018/19 and 2019/20, the council tax referendum threshold has been increased from 2% to 3% for the general council tax increase. 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. The Government's four year financial settlement and the position with respect to local authorities' ability to raise income via the Adult Social Care Precept remains unchanged.

Core Spending Power

1.7 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. 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. The indicative allocation NHB for 2018/19 is £4.376m and £3.813m for 2019/20. However, the one off Adult Social Care (ASC) Support Grant of £1.010m and the Transition Grant (£1.2m in 2017/18) have not been awarded for 2018/19.

New Homes Bonus (NHB)

1.8 Havering's New Homes Bonus allocation for 2018/19 has been provisionally announced as £4.376m, a £2.641m reduction when compared to 2017/18 allocation of £7.016m and a £0.424m reduction compared to the initial assumption and. Havering's indicative NHB allocation for 2019/20 is £3.814m a reduction of £0.562m compared to the 2018/19 allocation.

Local Government Financial Settlement (LGFS)

1.9 The MTFS report presented to Cabinet on 23 January 2017 provided a summary of the key aspects of the provisional LGFS setting out the key features of the Government's plans to move further towards fiscal devolution.

1.10 The 2017/18 provisional local government finance settlement confirmed the Revenue Support Grant (RSG) figure to be rolled into the Business rate pot in 2018/19 and other grant funding allocations for 2018/19 and indicative figures for 2019/20. Below are other key points to note:

- No changes to overall funding provided by DCLG (from the previous allocations announced in the 2017/18 final settlement)
- The terms of the Adult Social Care Precept are unchanged.
- No change to the New Homes bonus scheme previously announced.

1.11 The Council's revenue and capital budget strategies are set out in Appendix B and Appendix I respectively, as they underpin the approach taken to setting the Council's revenue and capital budgets.

2. MTFS Consultations and Public Engagement

2.1 The Council undertook a public engagement on the MTFS and saving proposals between the 5 January 2018 and 2 February 2018. The consultation sought public views on service priorities. Consultation with the business sector was also conducted.

2.2 The results of the engagement exercise's were not available at the time of preparing this report. However, they will be summarised and circulated prior to the Cabinet meeting for consideration.

3 Overview and Scrutiny Board

3.1 The budget proposals for 2018/19 were considered by Overview and Scrutiny Board on 25 January 2018. As this report was prepared before that date, an update will be given at the Cabinet meeting on any matters raised by the Board for consideration.

4. Schools Budget

Dedicated Schools Grant and Schools Funding

4.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant that is allocated to local authorities to meet their responsibilities for early years' education, the funding of schools and for provision and support for pupils with special educational needs and disabilities and for pupils requiring alternative provision. The grant is allocated in four "blocks" and the Havering's allocation for financial year 2018/19 is shown in table 4 below.

Schools Funding

4.2 Following a period of consultation which commenced in March 2016, the Government plans to introduce a national funding formula for schools starting in financial year 2018/19. From 2020/21 it will be a "hard" formula with funding allocated to individual schools through the Government's national formula and 2018/19 and 2019/20 will be transitional years in which it will be a "soft" formula. This means that although funding allocated to local authorities through the Schools Block of the Dedicated Schools Grant (DSG) will be calculated according to the national funding formula, local authorities in consultation with their Schools Forums and schools may continue to apply a local formula to allocate funding to individual schools. Following agreement with the Schools Funding Forum and consultation with all schools, Havering is able to move straight to the national funding formula from 2018/19 therefore allocating funding to individual schools according to the national funding formula. The schools' preference to move straight to the NFF followed consideration of a range of options with various permutations of NFF funding factors and locally modelled alternatives. From the options considered, implementation of the NFF in full allocated the highest amount of funding to the greatest number of schools and also at 1:1.31 brought the ratio of funding between primary and secondary schools closer to the national average of 1:1.29. In 2017/18 the primary/secondary ratio in Havering is 1:1.34.

4.3 The allocation of funding to schools and academies will mean that all schools will receive a minimum increase of 0.5% per pupil up to a maximum of 3% per pupil for schools that would otherwise receive a larger increase from the new formula.

The effect on Havering schools of implementing the NFF in 2018/19 is as follows:

Table 3 - The effect on Havering schools of implementing the NFF in 2018/19

	No of schools receiving minimum 0.5% per pupil	No of schools receiving between 0.5% and 3% per pupil	No of schools receiving maximum 3% per pupil
Infant	4	2	6
Junior	0	2	10
Primary	4	7	26
Secondary	11	5	2
Total	19	16	44
	24%	20%	56%

4.4 This increase in funding follows six years of flat cash settlements for schools during which they have been under increasing financial pressure in having to fund national pay awards, incremental progression, increases in employer national insurance and pension contributions and inflationary increases on goods and services. The increases in per pupil funding through a national funding formula, although welcome, will not, therefore be sufficient to meet increased costs in schools without further savings being identified.

<u>High Needs Funding</u>

4.5 As with schools' funding, from 2018/19 the distribution of funding from central to local government will also be through a national formula. Previous funding has been on the basis of historical spending patterns by Local Authorities (LAs) with no significant uplift for increasing number of pupils with SEND or increases in the complexity of need. The new formula continues to allocate 50% of total funding to Local Authorities based on current costs but with the remaining 50% on a range of proxy factors for population, deprivation, prior pupil attainment and ill health. All Local Authorities will receive at least a 0.5% increase in their High Needs allocations with higher increases capped at 3%. Without the cap, Havering would have received 8.2%.

Table 4 - Havering's DSG allocation

	Schools Block				**High Needs Block**	**Early Years (table 2 below)**	**Central School Services Block**	**Total DSG**
Year	**GUF per pupil (£)**	**Pupil number allocation (£m)**	**Premises, pupil growth, falling rolls (£)**	**Total Schools Block (£)**	**Allocation (£m)**	**Allocation (£m)**	**Allocation (£m)**	**Allocation (£m)**
2018/19	4,586.21	166.74	5.47	172.21	23.52	17.02	1.57	214.32
2017/18	4,712.65	169.92	included	169.92	22.70	14.68	0	207.30
Variance	(126.44)	(3.18)	5.47	2.29	0.69	2.34	1.57	7.02

Notes:

I. All of the above figures are before recoupment by the DfE for pupils attending academies, non maintained special schools and post 16 special educational needs provision.
II. The increase in the Schools Block is mainly due to the increase in number of pupils that are to be funded.
III. Funding for premises (business rates) pupil growth and falling rolls was previously included in the per pupil Schools Block funding and is now allocated separately based on the previous year.
IV. The Central School Services Block is new for 2018/19 and includes funding that was previously included in the Schools Block allocation.
V. The Early Years block is indicative and will be recalculated based on the January 2018 and 2019 early years censuses.
VI. The increase in the Early Years block takes into account the first full year of the entitlement of working families to 30 hours of free early years education, an anticipated increase in take up and an increase in the hourly rate.

Early Years Funding

4.6 The national funding formula for early years education commenced in 2017/18. Local authorities receive funding for the provision of the universal free entitlement of 15 hours per week for 3 and 4 year olds, and additional 15 hours for working families and 15 hours per week for disadvantaged 2 year olds. In 2018/19 the pass through rate to providers is 95% including contingencies and an inclusion fund to support access for children with special educational needs and disabilities. The remaining 5% is for local authorities to carry out their statutory duty to ensure sufficiency of provision, quality assurance, the funding to providers, data management control and business support. The funding allocation to Havering shown in table 3 has allowed an increase in the hourly rate paid to providers from £4.39 to £4.53 for the provision of the entitlement of eligible children.

Table 5 - Havering's DSG Early Years Block allocation

	Disadvantaged 2 year olds		Universal entitlement for 3 & 4 year olds		Additional 15 hours for 3 & 4 year olds	Pupil Premium	Disability Access Fund	Total
	Hourly rate (£)	Allocation (£m)	Hourly rate (£)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)
2018/19	5.66	1.823	5.28	12.16	2.884	0.101	0.054	17.02
2017/18	5.66	1.823	4.87	11.21	1.495	0.101	0.052	14.68
Diff	0	0	0.41	1.95	1.389	0	0.002	2.38

Central School Services Block

4.7 The Central School Services Block is new for 2018/19 and brings together funding that is required for LA statutory functions that in previous years has been funded from the Schools Block and funding that has previously been allocated to local authorities from an Education Services Grant. This block also allocates funding for an LA's historic commitments previously funded within the Schools Block. Statutory functions include school admissions, the funding of national copyright licences, servicing the Schools Forum and other statutory duties previously funded from an Education Services Grant.

As shown in Table 4, Havering's allocation is £1.57m which is approximately £0.250m less than the cost of each of the services in 2017/18. This will need to be managed from within the DSG.

Education Services Grant (ESG)

4.8 The ESG ceased from September 2017 and for 2018/19 a sum of approximately £0.590m has been included in the Central Schools Services Block. As stated in the December Cabinet report, this leaves a shortfall against the cost of providing LA statutory services in spite of the savings made centrally and a contribution from LA maintained schools to meet the cost of central services relating only to that sector. The shortfall is summarised in Table 6 below.

Table 6 - Shortfall in Funding

Shortfall in funding	**£m**
Service costs after £0.590m saving in 2017/18	1.746
DSG Central Services Block for LA central duties (previously ESG grant)	(0.589)
Contribution from schools	(0.322)
Shortfall	**0.835**

4.9 The intention is to manage the shortfall in funding as part of the ongoing transformational review of the service. The service will come forward with longer-term proposals for implementation from September 2018 aimed at minimising the future funding gap. In the meantime, a contribution from the specified reserves held to support the investment in education traded services will be used to supplement the funding earmarked corporately to cover the £0.835m shortfall.

5. Current Financial Position – 2017/18 Financial Monitoring

5.1 The development of the financial strategy and detailed budget needs to take account of the financial position in the current financial year 2017/18. The January 2018 Cabinet report set out a summary of the financial position at period 8 (November 2017) and this indicated a forecast service overspend of £4.367m. SLT has continued to focus on measures to contain expenditure within approved budget in order to ensure financial stability as a basis for the 2018/19 budget and over the medium term.

5.2 At period 9 (December 2017), the forecast outturn position on the service directorate budgets is £135.839m against a net controllable service budget of

£135.839m, resulting in a forecast overspend of £2.280m (1.68%), as set out in table 7 below. This has reduced by £2.087m from £4.367m at period 8. This is due mainly to the planned contribution from the Corporate Risk Budget to Children's services, with some further improvement in Neighbourhoods, oneSource and the Chief Operating Officer forecasts.

Table 7 – 2017/18 Forecast Outturn at Period 9

Directorate	Original Budget	Revised Budget	Forecast Outturn	Forecast Outturn Variance	
	£m	£m	£m	£m	%
Public Health	(0.300)	(0.308)	(0.308)	0.000	0.00
Children's Services	32.502	35.945	37.173	1.228	3.42
Adult Services	55.021	57.345	57.345	0.000	0.00
Neighbourhoods	12.394	14.263	14.750	0.487	3.41
Housing	1.356	1.941	3.156	1.215	62.60
oneSource Non-Shared	0.735	1.888	1.617	(0.271)	(14.35)
Chief Operating Officer	7.154	7.036	6.881	(0.155)	(2.20)
SLT	1.019	1.308	1.253	(0.055)	(4.20)
oneSource shared	14.788	16.421	16.252	(0.169)	(1.03)
Service Total	**124.669**	**135.839**	**138.119**	**2.280**	**1.68**

5.3 The main areas of forecast overspend at period 9 rest in the Children's, Neighbourhoods and Housing Services due to continued demand pressures in Children's, Housing Demand in relation to Private Sector Leased (PSL) properties and Homelessness. The SLT continue to focus upon the delivery of mitigation and savings plans and general restraint on non-essential expenditure to manage the outturn within the approved budget by the end of the financial year and over the medium term.

The material forecast variances at period 9 relate to:

<u>Children's Services</u> - £1.228m forecast overspend

The forecast overspend has reduced by £1.438m (5.4%) from £2.666m at period 8, to £1.228m at period 9. This is due to the planned contribution of £1.8m from the Corporate Risk Budget which reduces the over spend, offset by further underlying pressures of £0.362m.

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 Special Education Needs (SEN) Home to School transport, Special Education Needs and Disabilities (SEND) costs and placements for children with disabilities.

Children's Directorate is reviewing the Financial Recovery Plan with a view to ensure financial stability over the medium term. As part of this review, a deep dive into activity and cost pressures is being undertaken supported by Finance in order to ensure that financial balance for the service is achieved in 2018/19. This is a primary focus of the SLT discussions as the pressures in Children's services continue to rise.

Neighbourhoods - £0.487m forecast overspend

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

Housing Services - £1.215m forecast overspend

The financial pressure in the Housing services predominantly in the homelessness demand pressures. Cost of prevention options are being used to minimise pressure.

5.4 The uncommitted Corporate Risk Budget and Corporate Contingency budgets stand at £6.898m to enable the overall outturn to be achieved within the approved budget for 2017/18. The service forecast overspend of £2.280m will be mitigated from the uncommitted Corporate Risk Budget, leaving the forecast underspend on these budgets at 31 March 2018 of £4.618m (made up of Corporate Risk Budget £2.618m and £2m Contingency Budget).

5.5 Any final underspend from the Corporate Risk Budget and Contingency Budget after balancing the over spend on services will be transferred to the Business Risk Reserve as part of 2017/18 accounts closure. This funding will then be utilised to underpin the risk of delayed delivery of savings and mitigation plans within Directorate savings plans and mitigations plans.

5.6 As highlighted in previous budget reports, the Corporate Risk Budget (previously Corporate Provisions) has reduced substantially in recent years to protect budget reductions in front line services. In 2018/19 the gross budget is £13.997 of which £10.899m is contractually committed such as the pay award and the Pension Fund; leaving a net budget available of £3.098m. The Council will therefore no longer be able to rely upon this budget to offset overspends in service directorate budgets as it has in 2017/18 and previous years. It will therefore be critical that Directors manage their expenditure within their approved budgets in 2018/19 and thereafter.

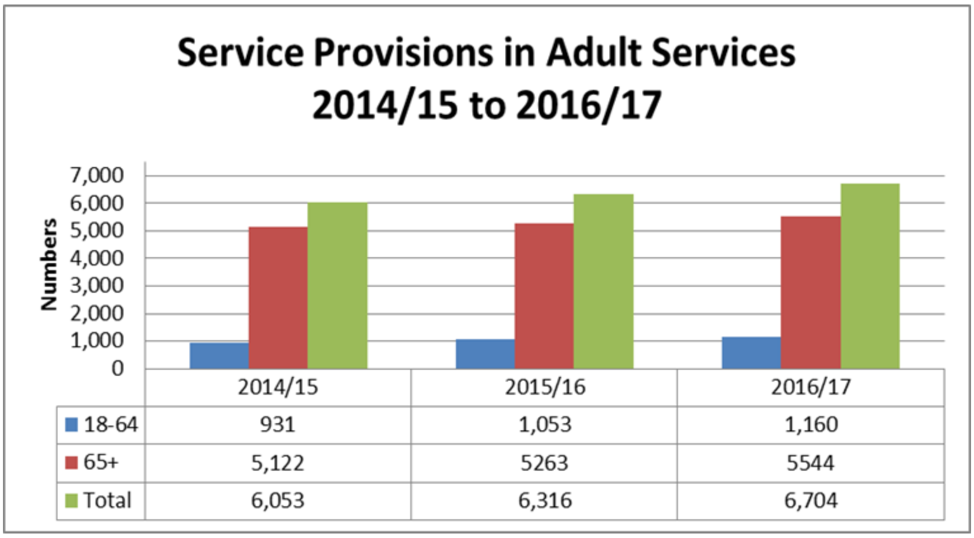
6. Havering's Revenue Budget and Council Tax

6.1 The key factors taken into account in finalising the 2018/19 budget are set out in the remainder of this report. As well as the results of the public engagement and budget finalisation, it is important to note that, if the final position on levies and the Greater London Authority (GLA) precept is significantly different from the provisional sums, the final level of the overall Council Tax may be affected.

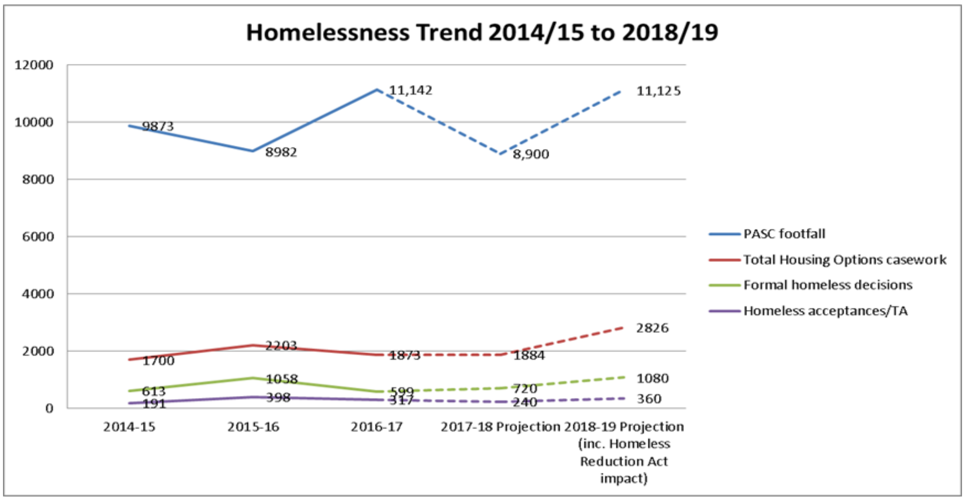
Demographic Growth

6.2 Cabinet will be aware from previous reports of the impact of changes in demography on the level of demand for Council services. The increase in Adults and Children's demographic growth, complexity of client needs, and increase in housing demand has led to an increase in demand for adult social care and housing; a trend which is expected to continue over the coming years. This growing demand is illustrated in graphs 1, 2 and 3 below;

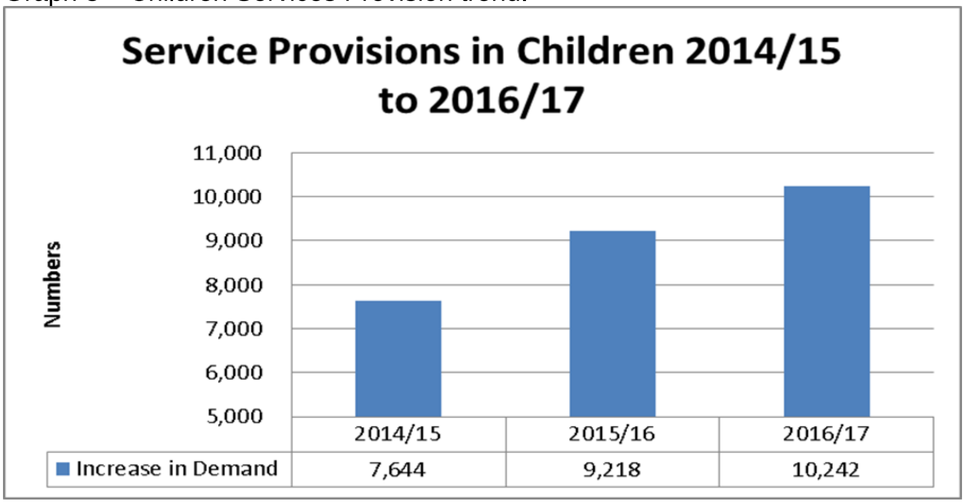
Graph 1 – Adult Services Provision trend.



Graph 2 – Homelessness Trend



Graph 3 – Children Services Provision trend.



6.3 In response to growth in demand and budgetary pressures, the draft financial strategy includes provision to increase the 2018/19 base budget by a further £2m for Adults Social Care, £1m for General Fund Housing Services and £2m for Children's Services. A further £1m one-off funding has been provided from the Corporate Risk Budget \in 2018/19 to Children's Services to provide support until its recovery and transformation plan implementation is complete.

General Inflation

6.4 The previous reports to Cabinet set out the broad approach to budgeting for inflation. In summary, provision has been made in the MTFS for a pay award increase at 2.38% in financial year 2018/19 and a further 3.01% increase for 2019/20. This will add £2.097m to the pay bill in 2018/19 and £2.715m in 2019/20. Negotiations continue with the Government over the pay award increase. Any changes to the pay award position will be reported to Cabinet meeting if known, and an update will be provided for the Council meeting.

In line with CPI, Contract inflation is budgeted at 3% per annum and income at 3%. No inflationary provision for supplies and services has been provided and services will need to absorb increases within their budgets.

Fees & Charges

6.5 Fees and charges have been reviewed in order to deliver an increase in income of 3%, though in some areas these fees are set by Central Government and are outside the Council's control. A complete Schedule of Fees and Charges is set out in **Appendix J** and is presented to Cabinet for approval as part of the 2018/19 budget.

6.6 Fees and Charges continue to be reviewed and amendments made in line with strategic priorities and the results of the consultation process for services to be paid for at the point of delivery, rather than through Council Tax increases. A key objective is to ensure that fees and charges recover the full cost of service delivery where possible.

Government Grant and Specific Grants

6.7 The Council receives a reducing number of specific grants outside of the general grant. These are for specific purposes and many have been subject to external audit verification prior to claim submission. They are not for mainstream funding and, hence, increased levels of specific grants have not assisted in reducing the overall Council Tax level, as they reflect a similar level of spend by the Council. These have historically changed year on year and in some cases the details have not been known until after Council Tax setting.

6.8 Assumptions are made in setting the budget on what those grant levels will be, unless specific announcements have already been made. The actual announcements may lead to differing amounts of grant funding being available, and may in fact identify new, or increased, levels of funding.

6.9 As in previous years, to facilitate the usage of these un-ringfenced resources, it is proposed that the Chief Financial Officer in consultation with Service Directors, review any such funds allocated to Havering and makes proposals for their use for approval by the Cabinet Member for Financial Management. Cabinet is asked to approve this. In addition, Cabinet is recommended to delegate to the Chief Financial Officer authority to make any necessary changes to service and the associated budgets relating to any subsequent grant announcements where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation as appropriate.

Public Health

6.10 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 – in line with the previous assumption reported to Cabinet in October 2017.

New Homes Bonus (NHB)

6.11 Havering's allocation for 2018/19 has been provisionally announced as £4.376m which is a reduction of £2.640m when compared to the 2017/18 allocation of £7.016m. It is anticipated that this is likely to reduce to approximately £3.8m by 2018/19. A £0.424m reduction in 20181/9 and £0.986m in 2019/20 compared to the previous assumptions; this reduction has now been incorporated into the MTFS.

Levying Bodies

6.12 The levies are part of the local government settlement and therefore are taken into account when setting the Havering element of the Council Tax. The latest information in respect of levies is set out in **Appendix C**; at this stage the figures are shown as either provisional or estimated, with final figures expected shortly. The ELWA budget report is due to be approved at its board meeting on 5 February 2018.

6.13 Havering's estimated ELWA levy for 2018/19 is £15.992m. If confirmed, it will represent an increase of 7.15%, or £1.067m and is £0.067m more than originally provided in the budget model. Subject to final notification by the Authority, the approved sum will be reflected in the draft budget for 2018/19.

6.14 The ELWA levy is based upon the weight of rubbish disposed of by residents and continues to present a significant financial pressure that will need to be proactively managed in future years through the development and implementation of waste management initiatives. Residents can make a substantial contribution to reducing the future levy by participating in the Councils waste management and recycling initiatives.

6.15 For planning purposes, a nominal increase of 0.5% for the remaining levies (Lea Valley Regional Park Authority, London Pension Fund Authority, and the Environment Agency) has been anticipated. The final figures are dependent upon the Council Tax base for each funding authority being confirmed, so the final levies for 2018/19 are currently awaited. The figures included in the Council Tax statement are therefore provisional or estimated.

Payments to External Bodies

6.16 Details of the proposed contributions for 2018/19 for concessionary fares and the Taxicard scheme were set out in the January report to Cabinet. The concessionary fares contribution is now confirmed as £8.177m, a reduction of £0.136m from 2017/18. The contribution to the Taxicard scheme has not yet been finalised although it is expected to be released prior to the Council Tax report to Council on 21 February and has been provisionally budgeted at £0.150m.

6.17 LB Havering contribution to the London Councils subscription in 2018/19 Grants Scheme was reported to January Cabinet, the contribution is confirmed as £0.192m, a 2.88% reduction compared to the 2017/18 cost of £0.220m.

Corporate Risk and Contingency Budgets

6.18 The Corporate Risk Budget is available to support the corporate organisation to meet a range of necessary expenditure including supporting service directorates to meet financial pressures and unavoidable overspends as referred to in section 5 dealing with the forecast outturn at period 9.

6.19 As reported in the 2017/18 MTFS, the Corporate Risk Budget has reduced significantly in recent years as it has been applied to mitigate budget and service reductions within front line services. It is anticipated that the underspend on this budget in 2017/18 will be £2.618m after meeting overspends by service directorates totalling £2.280m as set out in section 5 dealing with the period 9 forecast. Any final underspend that exists at year end will be transferred to the Business Risk Reserve to support the budget in 2018/19. The period 9 forecast balance on the Business Risk Reserve at 31 March 2018 is £6.872m (of which £1.010m is committed for potential Adult Social Care pressures, leaving a balance of £5.861m) after establishing the SLM leisure contract Reserve and Bridge close Reserve as reported to Cabinet in November 2017 (see also section 9.6). This will be supplemented by £0.700m of NNDR compensation grant that is due to be received in 2018/19, giving a total of £6.562m to support the management and mitigation of financial risk.

6.20 The Corporate Risk Budget for 2018/19 will be £13.977m of which £10.899m is committed leaving £3.098m and therefore it will be critical for service directorates to manage within their approved budget in 2018/19 onwards through implementation of agreed savings and mitigation plans.

6.21 The purpose of the Corporate Contingency Budget is to provide funds to address unforeseen issues that have a significant financial impact within the financial year and are largely outside the Council's direct control. The Chief Financial Officer (CFO) sets this budget by having due regard to:

- The budget strategy proposed to Cabinet;

- The level of the Corporate Risk Budget and Business Risk Reserve available to mitigate against financial pressures and delayed/ undeliverable savings by service directorates
- Availability of General Fund balances
- Availability of earmarked reserves
- An assessment of unquantifiable pressures and unforeseen events that could arise during the 2018/19 financial year
- The experience of previous years
- The degree of uncertainty as well as known impact of changes to funding streams

6.22 The Corporate Contingency budget does not provide specific funding for any unforeseeable extraordinary items of major expenditure, for example the implications of flooding. If such an event were to occur, it would need to be funded from the existing general reserves and balances, if the contingency were exhausted.

6.23 The Council continues to operate within a challenging financial environment. However, through focused management of budgetary pressures and available risk budgets, earmarked reserves, and the level of General Fund balances, it has been possible to avoid any call on the Corporate Contingency Budget within 2017/18 to date. Therefore, as set out in the 2017/18 MTFS, the Corporate Contingency budget will reduce from £2m to £1m in 2018/19 as planned.

6.24 It will be crucial that directors manage expenditure within their approved budget in 2018/19 and beyond to deliver agreed savings and mitigation plans; and that reserves, both general and earmarked, continue to be managed in the short and medium term in a way that gives due regard to the need to set a legally balanced budget. Furthermore, the early consideration of the 2019/20 budget strategy by the new Administration post May 2018 will be essential to financial sustainability in the medium term.

<u>Balance Sheet Position</u>

6.25 The focus of the revenue budget strategy is on the Council's income and expenditure. However, regard also needs to be given to key balances included in the Council's Balance Sheet. The Council faces a number of risks and uncertainties which can be mitigated by ensuring that it maintains an appropriate level of liquid resources and maintaining an adequate level of reserves. Earmarked Reserves £46.648m (excluding schools balances of £9.910m) and the General Fund Balances £11.766m. Earmarked Reserves are explained further at paragraph 6.29 below.

<u>Liquidity</u>

6.26 The Council held approximately £237m in cash on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given that gross expenditure is the region of £600m, this represents around three months of expenditure. The level of cash balances is expected to reduce substantially over the period of the MTFS as the Council delivers the proposed capital programme as this will utilise internal cash balances before going to the financial markets to borrow externally. See also the Capital Programme and Treasury section of this report and the Treasury Management Strategy Statement elsewhere on this agenda.

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

6.28 The Council is required to approve its annual Treasury Management Strategy Statement at its annual budget setting meeting. The TMSS report is included elsewhere on this agenda and sets out the parameters for investment of this cash and includes the measures to be taken to ensure the creditworthiness of the Council's counterparties. The draft prudential indicators included in the Strategy also set out the limit for investments on terms of more than one year. In practice longer term lending is minimised to ensure that a high level of liquidity is maintained.

Earmarked Reserves

6.29 An earmarked reserve is a sum set aside to fund planned items of anticipated expenditure for which the liability is not chargeable to the current year's accounts. Earmarked Reserves are set aside of specific known purposes and are not generally available to support the Council's operational base budget. The Council holds a number of these, the most significant of which is the Corporate Transformation Programme Reserve. Other funds are earmarked to meet the anticipated costs of strategic projects, insurance claims, capital bridge funding and invest to save resources.

The earmarked reserves are reviewed on a quarterly basis to ensure that they are still required. As a one off resource, any funds deemed to be surplus would be reallocated to support one off projects such as support to the capital programme, contributions to the pension fund or service initiative pump priming.

6.30 The Council's financial strategy precludes the use of earmarked reserves to finance known and ongoing operational expenditure and liabilities, as this is the financially prudent approach required to ensure a stable and sustainable financial position is achieved. Reserves can only be used once, and the Council's reserves have been established for specific purposes; their use as a one-off means of financing the Council's ongoing revenue budget falls outside the strategy previously approved by Council, and is not therefore recommended.

Overall Council Tax for 2018/19

6.31 On the basis of the information set out in this report, including the levies being those as set out in **Appendix D**. **Havering's band D figure would increase to £1,363.83.** The table below summarises the position:

Table 8 - Havering's band D Council Tax 20181/9

	Band D Council Tax £	% Increase/ (Decrease)	£ Increase/ (Decrease)
General Requirement	1,287.75	1.50%	19.77
Adult Social Care Precept	76.08	2%	26.35
Total Havering Precept	**1,363.83**	**3.50%**	**46.12**
GLA Precept	294.23	5.07%	14.21
Total	**1,658.06**	**3.78%**	**0.27%**

Greater London Authority

6.32 The Greater London Authority (GLA) precept covers services of the Metropolitan Police, the London Fire and Emergency Planning Authority, the London Development Agency, as well as the core functions of the GLA and Transport for London.

6.33 This precept is outside of the control of the Council and as such does not form part of the strategy of the Council. The Council is concerned with the budget and level of Council Tax and of course lobbied to ensure any precept increases are reasonable and add value to the community of Havering.

6.34 The Mayor of London proposed an increase in the Band D precept paid by taxpayers in the 32 London Boroughs by total proposed of £14.21 from £280.02 in 2017/18 to £294.23 in 2018/19 (an increase of 5.07% overall).

Within this sum, the police element of the Band D precept level by £12 in 2018/19 and 1.99% each year thereafter from 2019/20 to 2021/22. This is in line with the Home Office expectations set out in Spending Review 2015 adjusted to reflect the 2018/19 provisional police settlement assumptions in relation to council tax flexibility for that financial year.

The non-police Band D precept is assumed to increase by £2.21 or 2.99% in 2018/19 – in line with the revised referendum threshold of 3% confirmed by the Government in the provisional local government finance settlement, with the revenues generated allocated to the London Fire Brigade.

6.35 Consultation on the budget proposals ended on 12 January 2018. The final draft budget proposals will be considered by the London Assembly on 22 February 2018 and the budget is due to be approved by 28 February 2018. As this meeting falls two weeks after this Cabinet meeting, any change from the Mayor's proposals will be advised to Members accordingly at Full Council.

7.0 Financial Strategy – Budget Finalisation

7.1 At the point of the January Cabinet report, the forecast budget gap in 2018/19 was £4.158m and £33.355m over the five year period to 2022/23. The latest forecast of £4.029m and £34.053m to 2022/23 following further work and update following the Local Government Finance Settlement is included in the table 7 below.

7.2 The movement in the budget gap since the January cabinet report is due to:

- Increased pressures of £2.006m over the period, made up of £1.553m budget rebasing, £0.287m Council tax base, £1.498mm increase pay award, netted off by £0.198m Collection fund/Council tax surplus and £1.134m NNDR yield) following the confirmation of some of the figures announced in the provisional local government financial settlement and completion of the Havering NNDR returns to Government for 2018/19.

- Reduced £1.306m over the period to 2022/23 - incorporating the revenue impact of the proposed capital programme and financing requirements following consideration of the capital programme by Cabinet in December. This work has established a revenue budget to meet the costs of the principal repayment (Minimum Revenue Provision) from debt financing, interest on borrowing together with the income budgets in respect of the range of economic development projects that were approved by Cabinet between November and January.

- Reflecting the reduction in the Investment Income budget within Treasury Management from £1.350 to £1.105m as the Council's cash balances are reduced through the use of internal borrowing used initially to finance the programmed capital expenditure.

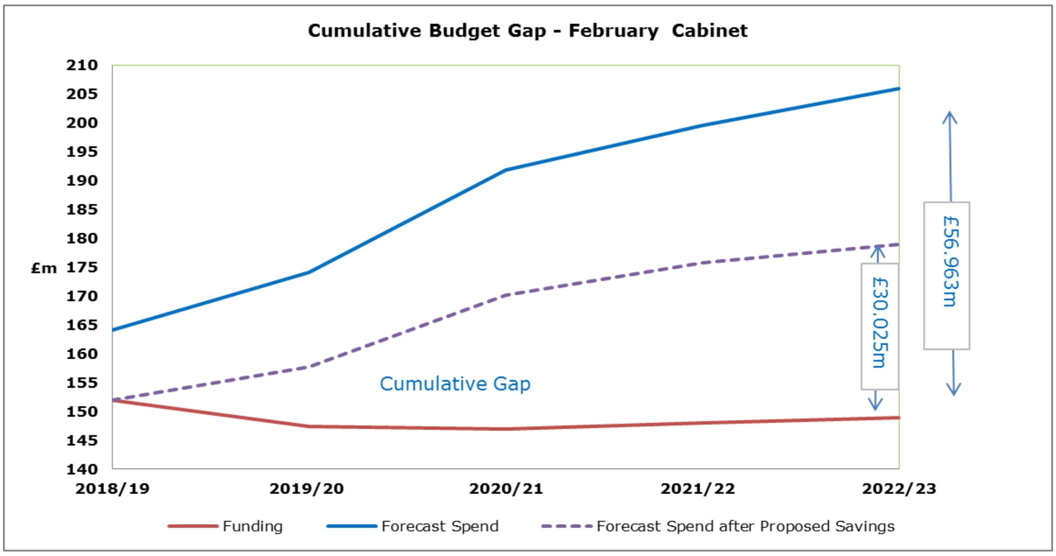
  This has a neutral effect upon the overall budget in 2018/19, but will create an initial pressure in 2019/20 as the Investment income budget is rebased. Additional net income of £4.338m is then profiled to be generated from 2020/21 onwards subject to all projects delivering in line with their agreed business case.

7.3 The Havering element of Council Tax is required to increase by 1.5% plus 2% for the Adult Social Care Precept in order to balance the budget in 2018/19. A gap of £30.025m remains for the period 2019/20 to 2022/23 as illustrated in the table and graph 4 below.

Table 9 - Forecast Budget Gap 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 - January	**4.158**	**7.961**	**14.182**	**3.194**	**3.860**	**33.355**
Additional adjustment following PLGFS	(0.083)	2.089	0.000	0.000	0.000	**2.006**
Capital Financing Impact	(0.046)	0.291	(1.296)	1.402	(1.658)	**(1.308)**
Forecast Budget Gap - February	**4.029**	**10.341**	**12.886**	**4.596**	**2.201**	**34.053**
LBH Council Tax increase 1.5%	**(1.727)**					**(1.727)**
ASC Precept 2%	**(2.302)**					**(2.302)**
Budget Gap	**0.000**	**10.341**	**12.886**	**4.596**	**2.201**	**30.025**

Graph 4 – Revised Cumulative Budget Gap.



7.4 The local government financial environment is predicted to remain challenging and the financial pressures in future years are likely to increase as they have over the last decade in particular. This will require the Council to rethink its operating model, its approach to prioritisation and pursue alternative service models in order to achieve financial sustainability in delivering services over the medium to long term.

7.5 Given that the long awaited Green Paper on Adult Social Care is delayed to Summer 2018, uncertainty remains around long term funding and this is reflected in the assumption that iBCF will not continue beyond 2019/20 in line with Government announcements to date. Forecasts will be updated as more information becomes available in relation to Social Care Funding, the Fair Funding review and the wider plans for fiscal devolution through Business Rates Retention. However, the Council will need to be prepared for the worst case scenario in order to be able to close the c£24m budget gap that is forecast by 2020/21.

7.6 As previously reported, SLT is also developing longer term plans to deliver further transformational change and demand management to address the £30.025m budget gap that remains between 2019/20 and 2022/23. These will be scheduled for consideration by the new Administration following the local elections in May 2018. It will be essential for these proposals to be progressed promptly during 2018/19 to provide sufficient lead in time to address the forecast pressures in 2019/20 onwards.

8. Budget Robustness/Reserves Position and Opportunity Cost

8.1 The Local Government Act 2003 sets out requirements in respect of Financial Administration, and in particular to the robustness of the budget and the adequacy of General Fund reserves. The Act requires the CFO to report to an Authority when it is making the statutory calculations required to determine its council tax or precept. The Act also suggests the advice should be given prior to the formal statutory calculation. This advice has therefore been given to both Cabinet in formulating proposals and to members of Overview and Scrutiny in considering the proposals. The Act also gives the Secretary of State the power to specify a minimum level of reserves that an authority must provide for when setting its budget, although there have been no indications that the Secretary of State will use this power.

8.2 In line with the requirements of the Act, the formal report of the CFO is appended as **Appendix F**. The Council is required to take the report into account when setting its budget and council tax.

8.3 The Council's financial strategy sets out that the minimum level of the General Fund Balance held will be £11.766m. The General Fund Balance at 31 March 2017 stood at £11.766m and the CFO's advice is to maintain it at this level given the level of risks associated with the Council's current financial position and the expected continuation of Government austerity measures impacting local government. Prior to making a final recommendation to Council, there is a need to further consider the current financial position for 2017/18 and its potential impact on reserves. Equally, the importance of retaining sufficient reserves has been emphasised by the variances that have arisen in service areas with large and volatile budgets and service demands, and with the impact of the economic climate within recent years.

8.4 After having regard to the consideration of the impact on reserves of the 2017/18 outturn, the existing reserves are likely to be sufficient to maintain this level. For information, this provides a level of reserves which gives limited cover for unforeseen circumstances that may have financial consequences, either one-off or across financial years.

8.5 The more detailed advice of the CFO in respect of reserves is also set out in **Appendix F**. This covers both the assessment of the level of reserves needed, and the opportunity cost arising from holding reserves.

9. Capital Strategy and Programme and Treasury Strategy

9.1 The October Cabinet report referred to the planned review of the Capital Strategy and Programme. Officers have been working over the course of the year to develop the framework for a renewed Capital Strategy in order to enable a co-ordinated and robust approach to new capital investment that is focused upon delivering affordable and value for money solutions to deliver the Council's ambition over the medium to long term.

9.2 That work is well advanced and is incorporated as far as possible within the Capital Strategy detailed within this report. The revised approvals and control framework is ready to be approved by CAMG and should be in operation for the 2018/19 financial year. However, DCLG and CIPFA have both recently issued consultation documents which the Strategy will need to take into account. The revised CIPFA Code has been issued but CIPFA have recognised too late to implement from the start of 2018/19. The results of the DCLG consultation are not yet published and so cannot be taken into account in setting the strategy and programme for 2018/19. It is therefore anticipated that a further updated Capital Strategy will come to Cabinet and Council in the Spring.

The Capital Programme

9.3 In the December, Cabinet considered an updated Capital Programme for 2017/18 and new capital bids proposed for consideration and inclusion in the 2018/19 programme. Table 10 below summarises the resulting proposed Capital Programme and financing statement for the period 2018/19 to 2022/23 and the financing statement. Further analysis is set out in Appendix G. Annex 1 and 2.

The capital budgets submitted for approval of expenditure are presented excluding anticipated slippage in the capital programme. Actual slippage will be reported and rolled forward into 2018/19 as part of the closure of the 2017/18 accounts. The capital expenditure estimates included in the Treasury Management Strategy Statement report, take account of the anticipated level of slippage to provide the most prudent estimate for cash management purposes.

Table 10 - Havering Capital Programme

Summary of Proposed Capital Programme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total £m**
Children's Services	36.644	39.411	3.408	0.000	0.000	**79.464**
Adults Services	0.000	0.000	2.800	0.000	0.000	**2.800**
Neighbourhoods	39.911	74.133	39.896	28.446	2.930	**185.316**
Housing Services	9.401	0.000	0.000	0.000	0.000	**9.401**
oneSource	3.622	1.241	0.626	0.620	0.620	**6.729**
Chief Operating Officer	5.329	13.053	7.164	0.854	0.485	**26.885**
Corporate	2.000	0.000	0.000	0.000	0.000	**2.000**
TOTAL CAPITAL PROGRAMME	**96.907**	**127.839**	**53.894**	**29.920**	**4.035**	**312.594**
Funding						
Capital Receipts	15.492	3.200	2.803	0.000	0.000	**21.495**
Revenue and Reserve Contribution	4.409	0.020	0.000	0.000	0.000	**4.429**
Grants	36.575	57.797	24.066	15.030	0.009	**133.477**
Section 106	1.347	0.693	0.000	0.000	0.000	**2.041**
Other External Funding	16.855	16.565	1.273	0.254	0.000	**34.947**
Prudential Borrowing	22.229	49.563	25.752	14.635	4.026	**116.206**
TOTAL FUNDING	**96.907**	**127.839**	**53.894**	**29.920**	**4.035**	**312.594**

9.4 Table 11 includes a summary of the existing approved capital programme by Directorate whilst Appendix G details the existing programme by theme. The existing programme includes the £6.465m efficiency programme budget, which resulted from the additional £5m approved in the 2017/18 budget process to enable invest to save projects. This budget has been allocated to fund the new capital bids shown in Table 10 totalling £6.550m.

Table 11 -Havering Capital Programme

Summary of Existing Approved Capital Programme	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Children's Services	25.919	17.536	0.458	**43.914**
Adults Services	0.000	0.000	0.000	**0.000**
Neighbourhoods	1.872	0.950	0.003	**2.826**
Housing Services	9.401	0.000	0.000	**9.401**
oneSource	1.887	0.241	0.006	**2.134**
Chief Operating Officer	0.340	0.127	0.000	**0.467**
TOTAL CAPITAL PROGRAMME	**39.419**	**18.855**	**0.467**	**58.741**
Summary of Existing Approved Capital Programme	**2018/19**	**2019/20**	**2020/21**	**Total**
Funding				
Capital Receipts	12.347	1.250	0.003	**13.600**
Revenue and Reserve Contribution	4.283	0.020	0.000	**4.303**
Grants	21.727	16.892	0.464	**39.083**
Section 106	1.062	0.693	0.000	**1.756**
Prudential Borrowing	0.000	0.000	0.000	**0.000**
TOTAL FUNDING	**39.419**	**18.855**	**0.467**	**58.741**

9.5 There has also been a review of the future capital requirements undertaken across the business. A shortlist of proposals was considered by Capital Asset Management Group (CAMG), an officer level group established to give oversight and management of key processes around the capital programme and approvals. The schemes that have progressed through this officer level challenge are summarised by directorate in Table 12 below. The detailed programme is shown in Annexe 1, Appendix G. Cabinet is asked to recommend these bids to Council for approval as part of the approval of the total Capital Programme.

Table 12 – New Capital Programme for approval

Schemes Presented for Consideration for Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Children's Services	10.725	21.875	2.950	0.000	0.000	**35.550**
Adults Services	0.000	0.000	2.800	0.000	0.000	**2.800**
Neighbourhoods	38.039	73.182	39.893	28.446	2.930	**182.490**
Housing Services	0.000	0.000	0.000	0.000	0.000	**0.000**
oneSource	1.735	1.000	0.620	0.620	0.620	**4.595**
Chief Operating Officer	4.989	12.926	7.164	0.854	0.485	**26.418**
Corporate	2.000	0.000	0.000	0.000	0.000	**2.000**
TOTAL CAPITAL PROGRAMME	**57.488**	**108.983**	**53.427**	**29.920**	**4.035**	**253.853**
Capital Receipts	3.145	1.950	2.800	0.000	0.000	**7.895**
Revenue and Reserve Contribution	0.126	0.000	0.000	0.000	0.000	**0.126**
Grants	14.848	40.905	23.602	15.030	0.009	**94.394**
Section 106	0.285	0.000	0.000	0.000	0.000	**0.285**
Other External Funding	16.855	16.565	1.273	0.254	0.000	**34.947**
Prudential Borrowing	22.229	49.563	25.752	14.635	4.026	**116.206**
TOTAL FUNDING	**57.488**	**108.983**	**53.427**	**29.920**	**4.035**	**253.853**

The schemes summarised below were considered by Cabinet in December and are repeated here as a reminder of each group of schemes

Development

9.6 These schemes sit within the Neighbourhoods Directorate and Cabinet have considered detailed reports between November and January. They are consolidate within this report to enable Cabinet to consider them as part of the total Capital Programme and refer onto Council for approval of their inclusion in the Capital Programme. The schemes require the Council to increase its borrowing requirement and the revenue costs of capital financing (debt repayment and interest) are included in each project business cases. These costs have been factored into the MTFS alongside the income budgets associated with each project over the long term (i.e. for the project life beyond the current MTFS). These include:

a) Economic Development schemes

i) Bridge Close Regeneration

This scheme was approved for progression at Cabinet on 15 November 2017. The report included the Council's investment required to progress the scheme and identified the financing costs and funding streams to cover them. Inclusion in this programme ensures that the capital expenditure approvals are in place and the revenue costs and income budgets are included in the MTFS. This includes the commitment to cover the shortfall in income of some £1.611m in the first 5 years of the programme from the Business Risk Reserve, with net income generated for the General Fund after meeting capital financing costs, over the later years of the scheme.

ii) Mercury Land Holdings business plan schemes

These proposals reflect the business plan intentions approved at Cabinet on 15 November 2017 and were approved within existing budgets within the 2017/18 capital programme. Project business cases will be subject to Cabinet or delegated approval as set out in the November MLH Cabinet report.

iii) Rainham – Beam Park Regeneration

This scheme was approved for progression at Cabinet on 13 December 2017. The report included the Council's investment required to progress the scheme and identified the financing costs and funding streams to cover them. Inclusion in this programme ensures that the capital expenditure approvals are in place and the revenue costs and income budges are included in the MTFS.

SLM – leisure contract

This scheme sits within the Chief Operating Officer Directorate and was considered by Cabinet in November 2017, when an update on the contractual performance was reported and the capital budgets and financing were referred to Council for approval within the 2017/18 Capital Programme. This included the commitment to cover the shortfall in income of some £2.111m in the first 5 years of the contract from the Business Risk Reserve, with these sums being paid back in later years of the contract. The revenue impact of the SLM contract is be included in the overall MTFS position of the Council.

Externally funded schemes

9.7 These schemes sit within the Neighbourhoods Directorate and represent the Highways and Local Infrastructure Plan schemes where funding is provided by Transport for London (TfL)

Efficiency Programme Funded Bids

9.8 As part of the 2017/18 budget report to Council a budget of £5m was approved to enable the development of a range of invest to save schemes that aim to generate future operational revenue savings to the Council. This was combined with the remaining invest to save capital budget and a total of £6.465m is included in the existing capital programme, as yet unallocated. The proposal is to allocate this sum to fund the establishment of residential or semi independent living schemes within Children's and Adults services. This will support the service transformation work within those Directorates, enables innovative service delivery and is an essential enabling investment for the realisation of future revenue expenditure savings and/or reduction in service cost pressures as outlined in the series of MTFS reports between October and January.

New bids outside the existing approved capital programme

9.9 The final section of the proposed additions to the capital programme is the inclusion of new bids for capital funding. These schemes have been identified and considered in terms of a prioritisation including links to the corporate priorities, which will be developed within the capital strategy, ongoing asset maintenance requirements, ongoing programmes health and safety and statutory considerations.

9.10 The schemes are grouped into 2 categories;

a) ICT – infrastructure, improvement and resilience- funding required to manage and sustain the Council's ICT infrastructure. This investment will ensure the sustainability of its ICT infrastructure and enable service delivery across a full range of Council services.

b) CAMG endorsed core capital programme requirements and new schemes.

9.11 The other significant schemes by Directorate and relevant assumptions are outlined below;

a) Children's – Schools expansion programme

It is assumed that this will be funded from the basic needs or other grant funding made available to the Council. The potential use of s106 funding is also to be scrutinised to ensure best use of resources.

b) Neighbourhoods – Footway and Carriageway Resurfacing

This is the ongoing programme of capital repairs and includes an additional sum in 2018/19 for repairs to street lighting. Going forward this expenditure will be funded from prudential borrowing.

c) Schools capital maintenance programme

This is assumed to be funded from grant funding and is not planned to impact on prudential borrowing.

9.12 Table 13 below summarises the potential impact on the MTFS of the funding arrangements proposed for the ICT bids and new capital bids. As can be seen from Table 10 above, alternative funding sources are to be used where available. If prudential borrowing is required, this will result in revenue capital financing costs over the profile of the schemes as shown below. Whilst these costs are factored into the MTFS for prudent financial planning purposes, alternative funding sources will be used where possible to mitigate these costs, delivering a saving on the revenue budget.

Table 13	**ADDITIONAL REQUIREMENT - MRP & INTEREST**					
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total £m**
ICT BIDS - to link with IT strategy	0.030	0.230	0.219	0.143	0.143	**0.765**
CAMG endorsed projects and New Projects	0.142	0.224	0.209	0.170	0.140	**0.885**
	0.172	**0.454**	**0.428**	**0.313**	**0.283**	**1.650**

9.13 The existing Capital Programme has historically been largely funded from the use of capital receipts however going forward it is acknowledged that the capital ambition of the Council will exceed the potential capital receipts available and will therefore require the Council to plan for the inclusion and cost of prudential borrowing for prioritised schemes.

9.14 The 2016/17 Capital programme established a capital budget of £100m of expenditure which is included in the existing Capital Programme to cover the regeneration and development activities from planned prudential borrowing within the Treasury Management Strategy. £17.230m of this £100m was approved for MLH schemes in 2016/17, with £6.290m approved to fund the acquisition of land from Havering College in 2017/18, leaving £76.480m towards further regeneration and development schemes from 2018/19 onwards.

9.15 The significant regeneration and development schemes within the revised programme have business cases which require prudential borrowing of £115.263m over the period 2018/19 to 2022/23. The impact upon the Council's underlying need to borrow to finance its capital expenditure is measured by the Capital Financing Requirement (CFR) and is set alongside projected external and internal borrowing levels in the Treasury Management Strategy Statement elsewhere on this agenda.

9.16 The 2018/19 budget includes an increased revenue budget of £10.518m to meet the forecast capital financing costs of capital expenditure financed by borrowing and the MTFS incorporates the forecasts future capital financing budget requirements. Capital financing costs are the repayment of loan principal (Minimum Revenue Provision) and interest on borrowing as required by the CIPFA Code of Practice. The total capital financing cost over the MTFS period resulting from the proposed capital programme is set in the table below.

Table 14 – Forecast Capital Financing Budget.

Capital Financing Budget	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Historic Minimum Revenue Provision	1.193	1.163	1.133	1.105	1.078	**5.672**
Additional Minimum Revenue Provision	0.891	1.399	3.732	4.557	4.530	**15.110**
Total Estimated Minimum Revenue Provision	**2.084**	**2.562**	**4.865**	**5.662**	**5.608**	**20.782**
Historic Interest Costs	7.557	7.557	7.557	7.557	7.557	**37.785**
Additional Interest Estimates	0.877	2.119	3.767	4.386	3.905	**15.055**
Total Estimated Interest Costs	**8.434**	**9.676**	**11.324**	**11.943**	**11.462**	**52.840**
Estimated Capital Financing Budget	**10.518**	**12.238**	**16.189**	**17.605**	**17.071**	**73.622**

9.17 The Council needs to manage and control its future capital programme and investment very carefully to ensure that it meets its fiduciary responsibilities. It will need to carefully prioritise future capital investment to deliver optimum outcomes as resources become increasingly scarce. A number of new schemes rely upon borrowing which creates a long term budgetary commitment for the Council for which it anticipates that it will receive financial returns of income in addition to meeting the primary objectives of economic development and regenerations. It is therefore essential that there is robust and proactive management of all capital projects going forward in order to deliver the financial plans set out in each approved business case. In particular, the delivery of income streams due from the series of Regeneration led projects for housing development are crucial and underpin the Council’s ability to meet the cost of this capital investment and generate future revenue returns to support the delivery of the MTFS. Failure to deliver to plan, could result in significant financial pressures for the Council and therefore robust programme and project governance will be essential. This framework and the expected returns on investment will be included in the revised Capital Strategy.

9.18 In allocating funding to these proposals the principle of financing capital expenditure from prudential borrowing as a last resort, was used. Going forward, the use of external funding sources will be maximised, pulling together the co-ordination of grant funding, s106 and any future CIL payments and the use of capital receipts, revenue and reserves under the review of CAMG. This will be managed under the governance arrangements being developed as part of the Capital Strategy. The use of prudential borrowing will be considered as the final option, once all alternative funding sources have been considered. This principle will be enshrined in the revised capital strategy and inform the revision of the Treasury Management strategy for the medium to long term.

9.19 The 2017 Prudential code requires a capital strategy to a longer term context capital expenditure and investment that gives due consideration to both risk and rewards, so the return on the investment after meeting the revenue costs of borrowing expected will need to be considered within business cases in order to establish a financially sustainable plan to secure approval of schemes to progress. The Capital Strategy going forward will incorporate a requirement to demonstrate this for investments in order to secure funding approval.

9.20 As referred to in paragraph 9.2, it should be noted that there are currently consultations underway from the DCLG on proposed changes to the prudential code for capital finance, including consideration of statutory guidance on local authority investments and the minimum revenue provision required to provide for the repayment of borrowing. In addition, in this context the due diligence work on the Regeneration schemes is continuing in order to establish the potential impact of the consultations and the proposals upon these schemes. This means that the work on the Mercury Land Holdings, Bridge Close and Rainham–Beam Park business cases cannot be finalised until this due diligence is complete. Therefore, even though the capital scheme numbers are included in the Capital Programme, with the estimated funding impact upon the MTFS included, these estimates may need to be refined once the impact of new DCLG rules and guidance is issued. The implementation of these schemes will therefore be dependent upon completion of all due diligence under the delegations set out and approved in each Cabinet report. Further update reports will be presented to Cabinet as required on a project by project basis.

9.21 The impact of the additional borrowing and the potential impacts of the consultations that are underway will also need to be considered as part of the review of the Treasury Management Strategy in order to ensure that the capital investment is financially sustainable and affordable and within the Prudential Code of Practice and the Treasury Code of Practice. The Treasury Management Strategy is included for approval elsewhere on this agenda.

9.22 The December report updated on the review of the capital processes and systems, leading to a refresh of the capital strategy. That work is ongoing and has so far delivered

- A refreshed capital programme, including profiled capital budgets over a 5 year timeframe (show at table 10/Appendix G)
- Redesign of the Oracle Project management module to take the profiled 5 year capital programme (due to be completed for the start of 2018/19)
- Capital bid approval process which allowed officer challenge of the capital bids is pending SLT and CAMG sign off, before approval by Cabinet for inclusion in the capital strategy
- Design of a draft governance process, including the Strategic Capital Assets Group role in coordinating the capital investment programme and challenge and approval of business cases
- Gateway business case approval process
- Integration of the capital financial management analysis into the Execview programme management system

9.23 The original intention was to present a revised capital strategy to Cabinet as part of the budget process. However, the December report also highlighted that there were 2 consultations on the Prudential code underway at that time. The DCLG's consultation closed on 22 December but there has been no feedback to date, and any resulting changes may affect the Council's policies.

9.24 The CIPFA consultation however has resulted in the publication of a revised CIPFA Prudential Code, and the key points are summarised below.

The Revised CIPFA Prudential Code and CIPFA Treasury Management Code

9.25 Many of the changes initiated in the revisions to the Codes surround concerns arising from the Localism Act 2011 (commercialism agenda), the changes outlined within it will impact all authorities. The revised Prudential Code is in a similar format to the 2011 edition, the main structural differences being the inclusion of the Capital Strategy requirements and the removal of some indicators. The section on the HRA for housing authorities has also been removed, although the indicators remain.

9.26 Section 5 of the new code has the major change to the Code with the requirement to determine a capital strategy. Whilst each authority will need to determine their capital strategy in the context of their local requirements, an outline of the types of issues required to be considered is set out in the Code and included here below. These are quite prescriptive and as of yet the Council does not have all the elements in place to meet this requirement. CIPFA has acknowledged that the planning processes for authorities are well advanced, so compliance with the revised codes may take place at the next available opportunity, so for instance the capital strategy requirements can be implemented after the 2018/19 budget cycle. However the work done to date forms part of the requirement but needs to be developed further to meet the new capital strategy requirements.

The Capital Strategy requirements in the code

9.27 The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial. The capital strategy should be tailored to the authority's individual circumstances but should include capital expenditure, investments and liabilities and treasury management. In considering how stewardship, value for money, prudence, sustainability and affordability can be demonstrated local authorities should have regard to the following key areas where material.

- Capital expenditure
  - An overview of the governance process for approval and monitoring of capital expenditure, including links to the authority's policies on capitalisation.

  - A long-term view of capital expenditure plans, where long term is defined by the financing strategy of and risks faced by the authority with reference to the life of projects/assets.
  - An overview of asset management planning including the cost of past borrowing, maintenance requirements and planned disposals.
  - Any restrictions around borrowing or funding of ongoing capital finance, for example requirements around the HRA

- Debt and borrowing and treasury management

  - A projection of external debt and use of internal borrowing
  - Provision for the repayment of debt over the life of the underlying debt.
  - Authorised limit and operational boundary for the following year
  - The authority's approach to treasury management including processes, due diligence and defining the authority's risk appetite.

- Commercial activity

  - The authority's approach to commercial activities including processes ensuring effective due diligence and defining the authority's risk appetite in respect of these, including proportionality in respect of overall resources.
  - Requirements for independent and expert advice and scrutiny arrangements. While business cases may provide some of this material, these will often reflect historic rather than current circumstances so the information contained in them will need to be periodically re-evaluated when it will inform the authority's overall strategy.

- Other long-term liabilities

  - An overview of the governance process for approval and monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.

- Knowledge and skills

  - A summary of the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's risk appetite.

9.28 In developing the capital strategy a balance should be struck between the amount of detail included and accessibility to the key audience. Where detailed information is required thought should be given to how this is made available, its format and the training needs of members to encourage active engagement. The role of the formal scrutiny process should not be overlooked in ensuring effective challenge. Links should be made where appropriate to the treasury management strategy. The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.

10. Treasury Management Strategy

10.1 The Council is required to agree annually a Treasury Management Strategy Statement including the setting of borrowing limits, and to reaffirm the Council's Treasury Management Policy. The draft TMSS is included elsewhere on this agenda.

10.2 Given the importance of the Investment Policy, this is repeated below:

"*The Council will have regard to the (then) ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:*

(a) The security of capital and
(b) The liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity."

10.3 The Council's Strategy for investment of funds prior to use or held for contingencies is agreed by the Council as part of the budget-setting process. The Treasury Management Strategy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy are set out in a separate report to Cabinet that appears elsewhere on this agenda.

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

10.5 The impact of additional borrowing and the potential impacts of the consultations that are underway will also need to be considered as part of the review of the Treasury Management Strategy in order to ensure that the capital investment is financially sustainable and affordable and within the Prudential Code of Practice and the Treasury Code of Practice. The Treasury Management Strategy is included for consideration and approval elsewhere on this agenda.

11 Other Matters

<u>Council Tax Bill</u>

11.1 The Council Tax bill will show the charges for Council services and the Greater London Authority. It must be served on or as soon as practicable after the day the Council Tax is set, and at least 14 days before the first instalment is due where the bill requires payment of instalments. As in previous year, Council Tax payers can now elect to pay by 12 monthly instalments, rather than the current 10. In addition, the detail supporting information can be provided online, rather than by default having to supply it in hard copy to taxpayers (although they can request a hard copy).

Effect of Council Procedure Rules

11.2 A Member wishing to move an amendment to this report of Cabinet which is recommending the Council Tax to the Council must be mindful of the provisions in Council Procedure Rules:

Rule 11.8(a)
"An amendment to a motion/report at the annual Council tax setting must be submitted to the Chief Executive no later than 6 clear days before the Council tax setting meeting, and must be such that the amendment would, if passed, in the view of the Chief Finance Officer enable a robust budget to be set".

This means that **Midnight on Monday 12 February 2017** is the deadline for amendments to the Council Tax Setting and Budget Report.

Rule 11.8(b)
"Upon receipt of such amendment, the Chief Finance Officer shall consider whether it meets the "robust budget" test, and:

(i) If it does meet the test, the Proper Officer shall include it on the agenda for the meeting.

(ii) If it does not meet the test but the Chief Finance Officer considers that, duly altered, it will do so, that officer shall consult the proposers and, if they accept the alteration(s), the Proper Officer shall include it, as altered, on the agenda for the meeting.

(iii) If it does not meet the test and the Chief Finance Officer considers that, whether or not altered, it will not do so, that officer shall refer the amendment to the Proper Officer who shall proceed with it as an improper amendment under Rule 11(3)(b)."

Discount for Council Tax Payers Paying in Full

11.3 The Council has agreed in the past, to offer a discount to Council Tax payers who pay their Council Tax in full. It is necessary for Cabinet to recommend Council to agree a specific resolution for this purpose or for any change proposed as the current assumption is that the discount remains at 1.5%. At May 2017, there were 3,312 Tax payers who took advantage of the pre- payment discount. Cabinet should note that a similar discount is not permitted under business rate regulations.

Resolution

11.4 "Any Council Tax payer who is liable to pay an amount of Council Tax to the authority in respect to the year ending on 31 March 2019, who is served with a demand notice under Article 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 and who makes payment to the authority of the full balance of the estimated amount shown on that demand by 1 April 2018, may deduct a sum equivalent to 1.5% from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount”.

Resolution for Council Tax

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

12. Housing Revenue Account

12.1 The report on the HRA budget for 2018/19 appears elsewhere on the agenda. This includes both the revenue budget and the associated capital programme.

REASONS & OPTIONS

Reasons for the Decision

The Council is required to set a budget for 2018/19 and, as part of that process, undertake relevant consultation in respect of the proposals included within the budget.

Alternative Options Considered

There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as alternative savings proposals, the totality of budgetary pressures and different levels of Council Tax.

IMPLICATIONS & RISKS

Financial Implications and Risks

The Council’s budget-setting process assesses the financial risks and implications facing the Council in delivering services within a complex and challenging environment. There are significant risks associated with increasing demographic pressures, the recent LGFS and the continuing uncertainty over the future level of Local Government funding. The Council consistently works to mitigate these risks. It will however be necessary to continually refine the financial forecasts underpinning the Council’s budget to ensure that any necessary actions can be taken at the appropriate times, in order to respond to changing circumstances and new challenges, allowing for consultation as appropriate.

The latest forecast budget gap currently is £4.029m in 2018/19 and £34.053m over the five year period to 2022/23. Assuming that the recommendations in this report are approved, with a Council Tax increase of 1.5% and an increase in the ASC Precept by 2%, the 2018/19 budget reflects a balanced position. However, a budget gap of

£30.025m will still need to be met by over the period 2019/20 to 2022/23. The Council will therefore need to be mindful of the lead in time required to deliver a further savings programme to and, whilst Officers are progressing this work, it will be critical for the Administration post May 2018 to take prompt decisions in relation to the development of the financial strategy and proposals for 2019/20 onwards. Additionally, there are risks associated with the delivery of savings and income generation agreed as part of this and previous budget reports. This may increase the potential for in year budget variances requiring corrective measures to be implemented and the strategy refined on an ongoing basis.

Legal Implications and Risks

Under the Local Government Act 2003 calculation of the Council Tax to be levied and adoption of an annual budget must be carried out by full Council on the recommendation of the Leader and Cabinet.

When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at **Appendix H**.

When considering the budget, Council must take into account this report from the Chief Financial Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a statutory duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

Human Resource Implications and Risks

Any HR issues which occur as part of any change processes will be dealt with according to the Council's HR procedures and employment legislation, and will be subject to consultation with staff and their union representatives, as appropriate.

Equalities and Social Inclusion Implication and Risks

Havering has an increasingly diverse community. The Council values diversity and our Fair to All policy reflects our commitment to ensure all groups and individuals are proactively included and treated with dignity and respect at all times. Council Tax will be applied fairly across all community groups, including ‘protected’ groups as identified in Equality Law. Where eligible, individuals may be entitled to discounts in line with published criteria.

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.

All savings proposals contained in this report have been subject to an initial screening exercise to identify the potential impacts of the proposals on protected groups. Service users have been categorised under the following headings;

- Age
- Gender [including maternity / pregnancy impact], transgender people
- Disabled People or Carers
- Religion or belief (including no faith)
- Sexual Orientation
- Race/Ethnicity
- Pregnancy and Maternity
- Socio-economic groups
- Other (e.g. living in poverty, children in care, homeless)

Where screening has identified that a proposal could have a high adverse impact on a protected characteristic, then a further detailed assessment of the equality impact of the proposals will be carried out prior to decision making and any implementation. That further assessment will look at alternative options to mitigate any adverse impacts that have been identified prior to implementation where possible.

The budget includes 31 saving proposals totalling £8.471m over the MTFS period (2018/19 to 2022/23). Screening of these proposals identified 10 that have a high impact and will require a full Equalities Impact Assessment (EqIA) prior to decision and any implementation. These are:

- Ref. AS5, AS8, AS11 and AS13 - Adults Services Directorate, impacts the Disabled People or Carers group.

- Ref CH5 - Children Services Directorate, impacts Other groups (e.g. living in poverty, children in care, homeless)

- Ref CH6 - Children Services Directorate, impacts the Pregnancy and Maternity groups, Socio-economic groups and Other groups (e.g. living in poverty, children in care, homeless)

- Ref CH8 - Children Services Directorate, impacts the Disabled People or Carers group and Other groups [e.g. living in poverty, children in care, homeless

- Ref COO15 - Chief Operating Officer Directorate, impacts Age, Disabled People or Carers, Socio-economic groups and Other groups (e.g. living in poverty, children in care, homeless)

- Ref COO19 - Chief Operating Officer Directorate, impacts Other groups (e.g. living in poverty, children in care, homeless)

The proposals are summarised in the schedule of all savings proposals set out at Appendix A. It is not the purpose of this budget report to replace the detailed equality impact assessments that will be completed before decision making and any implementation of each proposal.

The Council faces significant challenges in achieving a balanced budget, not only in terms of funding reductions, but also in terms of the rising demand for services, and budgetary constraints are a legitimate consideration in making decisions. It will therefore endeavour to implement savings measures that mitigate the adverse impact upon these members of the community where possible.

Background Papers:

None