

Item No. 2.1	Classification: Open	Date: 21 February 2018	Meeting Name: Council Assembly
Report title:		Policy and Resources Strategy 2018-19 – revenue budget	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

That council assembly:

1. Agrees to increase the Southwark element of the council tax for 2018-19 by 2.99%.
2. Agrees to use the flexibility offered by the government to support Adult Social Care through a precept equivalent to 3% of council tax on the basis that these additional funds will be used exclusively for adult social care.
3. Agrees the recommendations of the 6 February 2018 cabinet for a general fund budget requirement (after specific grants and use of reserves) for 2018-19 of £294.270m.
4. To note that the additional Adult Social Care (ASC) Support Grant of £982k for 2018-19 is earmarked for the ASC Transformation Fund.

BACKGROUND INFORMATION

Revenue Budget

5. The final 2018-19 finance settlement figures are now expected to be announced by government after 21 February 2018. On 6 February 2018 cabinet considered a report on the council's policy and resources strategy 2018-19 revenue budget proposals.
6. No amendments were made during cabinet to the recommendations included in the report, which were agreed by cabinet.
7. In total and in the context of resources available, the recommendation of the cabinet was agreed to set a general fund revenue budget requirement for 2018-19 of £294.270m.

KEY ISSUES FOR CONSIDERATION

Revenue Budget 2018-19

8. Table 1 below shows a high level summary of the proposed budget following consideration by cabinet on 6 February 2018. The report and relevant appendices to the cabinet are now attached to this report as appendix 1.

Table 1: High level summary budget for 2018-19

	2018/19 Budget Proposals £m
Resources	
Retained Business Rates	(164.617)
Business rates (top-up)/tariff	6.177
Revenue Support grant	-
Total Settlement Funding Assessment (MHCLG)	(158.440)
Public Health Grant	(27.469)
Section 31 Grant	(2.320)
ESG	
Adult Social Care Support Grant (2017-18 only)	
New Homes Bonus	(11.398)
Specific grants	(41.187)
Improved Better Care Fund	(8.088)
Supplementary IBCF	(4.497)
Improved Better Care Fund	(12.584)
Total Government Funding	(212.213)
Business Rate Retention growth	(21.750)
Business Rate Retention collection fund surplus	(3.970)
Council Tax baseline (2017-18 includes ASC precept 3%; LBS 1.99%)	(98.543)
Council tax change - 2018-19 2.99%	(2.947)
ASC Council Tax precept - 2018-19 3%	(2.956)
Council Tax Surplus / deficit	(5.663)
Total revenue from council tax	(135.829)
Total funding before contribution from balances	(348.041)
Current contribution (from)/to balances	-
A . Total Resources	(348.041)
	(294.270)
Previous Years Budget (2017-18 total budget) {excl public Health}	325.492
Inflation	
Employees - 2%	4.200
Contractual inflation	3.947
Commitments & Contingency:	
Growth and Commitments	32.625
B . Budget before savings and efficiencies	366.250
Net Shortfall before Savings and efficiencies (Current year A+B)	18.209
Efficiencies, Income and Savings	
Effective use of resources and efficiencies	(10.928)
Income Fees and Charges	(7.281)
Other Savings	-
C. Total Savings	(18.209)
D. Total budget (Current Year B + C)	348.041
E. Funding Shortfall / (Surplus)	0

9. The report considered by cabinet was based on the provisional local government finance settlement. The table above presents the final local government finance settlement presented to parliament on 6 February 2018. There is no change to the bottom line (net effect), but there were technical adjustments to the split between retained business rates and the tariff for 2018-19, due to an error by the VOA.
10. On 6 February 2018 the government announced a one-off one year only Adult Social Care Support Grant to Southwark Council of £982k. The terms and requirements of this grant are not yet clear, although the government have indicated councils should use it “to build on their progress so far in supporting sustainable local care markets”. For the purposes of the 2018-19 general fund budget, this will be placed into a transformation fund, to be used for one off projects for longer term transformation. It is therefore net neutral in these budget proposals.

Southwark Council Tax

11. For the purpose of setting council tax, the council calculates the total budget, less specific grants, less contribution from reserves. For 2018-19 this would be:

	2018-19 £m
Total budget (table above)	348.041
Specific grants (included in table above)	(53.771)
Planned contribution from reserves	0
Total budget requirement	294.270

12. All local authorities are required to set their council tax by 11 March 2018. This council will set its own tax on 21 February 2017. As in previous years, any delay to this date will mean the council may have to move its council tax instalment date beyond 1 April 2017. This would result in a loss of income to the council from cash flow and could also put at risk the ability of the council to meet its collection targets.
13. Cabinet have recommended accepting the government’s offer to raise a 3% adult social care precept in 2018-19, and to set a 2.99% increase in council tax for 2018-19.
14. The effect on the Southwark element of council tax is shown in the following table:

	Band D		
	2017-18	2018-19	Change
Southwark Council Tax	976.80	1,035.31	5.99%
<i>of which;</i>			
<i>ASC Precept</i>	<i>46.15</i>	<i>75.45</i>	
<i>Local Increase</i>	<i>18.51</i>	<i>29.21</i>	

Greater London Assembly (GLA) Precept

15. After consideration and agreement of this report with any amendments, it is usual for council assembly to move to the formal council tax resolution.

16. After the council's municipal calendar had been agreed, the council was made aware that the GLA precept date was after the council assembly meeting. It is expected that the GLA will establish the GLA budget and GLA precept on 22 February 2018.
17. When this last happened in 2011, council assembly agreed to the establishment of a council tax setting committee to take the formal resolution on council tax, and it is anticipated the same process will be followed this year. A report to that effect is elsewhere on the council assembly agenda.

Consultation

18. The Policy and Resources Strategy 2016-17 to 2018-19 reported to cabinet on 27 January and 9 February 2016 contained a detailed report giving results and analysis from the spending challenge consultation held during 2015.
19. In addition, recommendations from overview and scrutiny committee on 29 January 2018 were considered and accepted by cabinet at their meeting on 6 February 2018.

A strong and stable resource base

20. In setting out the budget proposals for 2018-19 the Strategic Director of Finance and Governance, as the statutory section 151 officer, is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. The draft budget proposed for 2018-19 is therefore robust.
21. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Strategic Director of Finance and Governance needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.
22. The cabinet report included as Appendix 1 provides information about the use of reserves and balances (paragraphs 102 to 106).
23. Maintaining an adequate level of reserves and balances are therefore key factors in the Strategic Director of Finance and Governance's assessment of the robustness of the budget. The relatively low levels of balances and reserves when compared to similar councils in London have been reported to cabinet and more recently it has been reported that the level of earmarked reserves have reduced. This position has been planned to help sustain services and transform the council through the austerity period, but cannot be seen as a permanent source of funding.
24. The position remains under close review and the s151 officer will continue to make recommendations as appropriate within the Policy and Resources Strategy. He considers the current plans for use of balances to be acceptable and recognises that the budget continues to allow for a contingency that mitigates the risk of shortfalls in savings and income targets or higher levels of commitments arising from unforeseen budget pressures.

25. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding, although the four year finance settlement may limit this risk subject to the revised funding arrangements based upon a new system of retained business rates. The impact of this reform cannot be assessed at this time. The use of the Financial Risk Reserve in respect of Business Rates risks forms part of the mitigation strategy. The risks identified strengthen the importance of maintaining a robust MTFs within which to plan council business and sustain delivery of essential frontline services.

Community impact statement

26. The community impact statement is set out in the cabinet report of 6 February 2018 attached at Appendix 1.
27. The council works in accordance with the single public sector equality duty contained within section 149 of the Equality Act 2010. This means the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and advance equality of opportunity and foster good relations between different groups.
28. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2018-19 and for previous years, each department has undertaken equality analysis/screening on its budget proposals ahead of the final decisions being taken. Where screenings identify potential impacts more detailed analysis is being carried out and will be developed as proposals are confirmed.
29. Undertaking equality analysis helps the council to understand the potential effects that the budget proposals may have on different groups. The analysis also considers if there may be any unintended consequences and how any of these issues can be mitigated. Analysis is also undertaken to consider any cross-cutting and organisation-wide impacts.
30. For many services the budget proposals will include efficiencies which have staffing implications. As specific proposals are brought forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.
31. Equality analysis will continue through the cycle of planning and implementation of these budget proposals. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way so as to not impact disproportionately on any specific section or group in our community. Where necessary, consultation will be undertaken alongside mitigating actions where necessary. In line with the process across the council, information on the equality analysis will be shared with the relevant cabinet members so it can be considered when decisions are taken. The equality analyses will be collated across the council to look for any cumulative impacts.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

32. The report asks council assembly to agree the recommendations of the 6 February 2018 cabinet for a general fund budget requirement (after use of reserves) for 2018-19 of £294.270m including the impact of a 3% ASC precept and 2.99% council tax increase for 2018-19. In accordance with part 3a of the Constitution Council Assembly are required to agree the budget.
33. In respect of all recommendations, council assembly is reminded of the requirement to consider the public sector equality duty as set out in Section 149 of the Equality Act 2010 before reaching a decision.

Legislative Framework

34. Section 31A of the Local Government and Finance Act 1992 ("the 1992 Act") provides that the Council has an obligation to calculate and agree an annual budget

Restrictions on Voting Under Section 106 of the Local Government Finance Act 1992

35. Section 106 of the 1992 Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.
36. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.
37. If this section applies to any member, he/she at the relevant meeting and as soon as practicable after its commencement, must disclose the fact that the section applies and not vote on any question with respect to this matter.
38. The relevant meetings are those at which any of the following are the subject of consideration, namely:

- (a) Any calculation required by chapter III, IV, V of Part 1 of the 1992 Act

The only calculations likely to be made by this authority are those under Chapter III of Part 1 of the 1992 Act, (Chapter IV relates to precepting and Chapter V limitations on council tax (i.e. capping)

The Chapter III calculations include the calculation of the budget requirement, basic amount of tax, the additional requirements because of the special trust funds, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 30.

- (b) Any recommendation, resolution or other decision which might affect the making of any such calculation

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.

- (c) The exercise of any function under Schedules 2-4 of the Local Government Finance Act 1988 ("the 1988 Act") and 1992 Act

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.

39. Section 106 of the 1992 Act makes it a criminal offence for a member to vote when prohibited from doing so or to fail to make the necessary disclosure. There is a statutory defence, with the onus of proof on the member, to prove that he did not know that the section applied to him or her at the time of the meeting or that the matter in question was the subject of consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

BACKGROUND INFORMATION

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Cabinet Report 6 February 2018 Policy and Resources 2018-19 Revenue Budget with appendices A to G

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jennifer Seeley, Director of Finance	
Version	Final	
Key Decision?	Yes	
Date	9 February 2018	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 February 2018