



Report to:	Council	Date:	7 March 2016
Report title:	Commissioning and Financial Planning 2016/17 to 2018/19 (including Revenue Budget 2016/17)		
Report from:	Gerald Almeroth, Strategic Director - Resources Jessica Crowe, Executive Head of Customers, Commissioning and Governance		
Ward/Areas affected:	Borough wide		
Chair of Committee/Lead Member:	Councillor Ruth Dombey, Councillor Simon Wales		
Author(s)/Contact Number(s):	Phil Butlin, Executive Head of Finance 020 8770 4514		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • An Open Council • A Green Council • A Fair Council • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	26 February 2016

1. Summary

- 1.1 Strategy and Resources Committee on 8 February 2016 recommended that Council should approve the draft commissioning and financial plans for 2016/17 to 2018/19 comprising the revenue budget 2016/17 (including the Housing Revenue Account budget), the capital programme 2016/17 to 2019/20, the treasury management strategy for 2016/17 and the council tax for 2016/17. This was subject to consideration of the impact of the final local government financial settlement which was announced on 8 February 2016 and included transitional funding for Sutton of £1.3m in each of the next two years (2016/17 and 2017/18). It was also subject to confirmation of some information not available or not confirmed at that time the report considered by the Committee was prepared including details of the Greater London Authority precept and levies payable to the Environment Agency, the Lee Valley Regional Park Authority and the London Pension Fund Authority.
- 1.2 This report provides an update on changes since the Committee report was prepared and revised versions of the Appendices affected by the changes.
- 1.3 This report also confirms the robustness of the budget process and the adequacy of reserves in line with statutory requirements.

2. Recommendations

- 2.1 Council is asked to agree the recommendations from Strategy and Resources Committee subject to the amendments set out in this report and the attached revised appendices B, C, F1, F2, G, H and J. The revised recommendations are as follows. Paragraph and appendix references are to the report to Strategy and Resources Committee on 8 February 2016 except where stated.

Commissioning intentions

1. Agree the Strategic Commissioning Plan at appendix A;

Revenue Budget 2016/17

2. agree the proposed General Fund net budget requirement of £144.916m summarised at appendix B (as revised) and by Directorate at appendix J (as revised);
3. agree the base budget changes set out in paragraphs 8.1 to 8.9 (and in section 4 of this report) and summarised in appendix C (as revised) including a phased use of reserves;
4. agree the savings proposed in appendix D;
5. note the rent reduction of 1% as mandated by the government and agree the Housing Revenue Account (HRA) budget 2016/17 (appendix E), including changes to service charges and heating charges;

Capital Programme

6. approve the revised capital programme for 2016/17 to 2019/20 with a total spend of £210.795m (revised from S&R report), including the proposed funding arrangements and policies, as set out in section 9 and appendix F1 and F2 (as revised);
7. authorise expenditure to be incurred of £12.380m for the detailed 2016/17 Housing Capital Programme (appendix F3) and £852k for Expenditure on Corporate Operational Buildings (appendix F4);

Reserves

8. agree the policy on reserves set out in paragraphs 8.33 to 8.36 and note the reserve movements proposed in paragraph 8.35;

Treasury Management

9. approve the Treasury Management Strategy 2016/17 which includes the annual investment strategy, prudential indicators and borrowing limits as set out in appendix G (as revised);

Council Tax

10. agree the council tax for 2016/17 at £1,210.03 for a Band D property, an increase of £23.27 (2%) for the adult social care 'precept' and £23.16 (1.99%) for general purposes;
11. approve the formal resolution at appendix H, including the council tax requirement of £85.391m;



12. note the proposed (now confirmed) Greater London Authority precept of £276, reduced from £295 in 2015/16;

Other

13. approve the Council's pay policy statement for 2016/17 (appendix I);
14. approve the Members' Allowances Scheme 2016/17 (appendix K); and
15. note that Councillors Basic Allowance and Special Responsibility Allowance will be increased or decreased by the amount of the local government pay settlement each year and that the Monitoring Officer be delegated authority to update the scheme to reflect any such increase or decrease.

3. Background

- 3.1 At its meeting on 8 February 2016 Strategy and Resources Committee agreed to recommend to Full Council a series of recommendations arising from a report on Business and Financial Planning 2016/17 to 2018/19. This was subject to consideration of the impact of the final local government financial settlement announced on 8 February 2016 which provided additional transitional funding to Sutton of £1.3m in 2016/17 and 2017/18. It was also subject to incorporation of information not available or not confirmed at the time that report was prepared. This report provides an update following confirmation of the outstanding information along with revised versions of the appendices to the original report where these have changed.

4. Updates and changes

Final finance settlement

- 4.1 The final local government finance settlement was announced on 8 February 2016. The government decided to allocate an additional £150m transitional funding in 2016/17 and 2017/18 to authorities with particularly large reductions in their revenue support grant, although the exact method of distributing this funding has not been published. The largest grant allocations have gone to shire counties (£97m out of £150m total) including Surrey (£11.9m) and Kent (£5.7m). £13.4m has been allocated to London Boroughs with 11 outer London boroughs receiving allocations (no inner London boroughs) including Bromley (£2.1m), Richmond (£2.9m) and Kingston (£1.3m).
- 4.2 Sutton's allocation is £1.343m in 2016/17 (£1.333m in 2017/18). The government has indicated that the transitional grant is to help to manage the changes needed to address the significant funding reductions in the medium term. Given the remaining funding gap to 2018/19 and the challenge of identifying and delivering savings it is recommended that the additional funding is held in an earmarked reserve to be used to support transformation work to identify and implement savings proposals and to manage timing risks to delivery.
- 4.3 There is a small reduction of £4k in the amount expected to be received from the New Homes Bonus adjustment grant (the redistribution of the non-utilised part of the sum top-sliced from the settlement total) in 2016/17.



- 4.4 The previously announced council tax referendum principle, requiring adult social care authorities to hold a referendum for proposed increases of 4% or more (including the permitted 2% 'precept' for adult social care), has been confirmed. The proposed increase is 2% for the social care 'precept' and 1.99% for general purposes, therefore this is less than the threshold so a referendum is not required.

Public Health Grant

- 4.5 The Public Health Grant allocations for 2016/17 and 2017/18 were announced on 11 February 2016. Sutton's allocation for 2016/17 is £10.328m. This compares with a baseline 2015/16 allocation of £11.179m (derived from the initial allocation of £8.619m, plus the subsequent allocation for 0-5 year-olds from October 2015 (£1.280m) grossed up to a full year equivalent of £2.560m). The baseline has been reduced by £613k (5.5%) for the 2015/16 in-year grant reduction, which is confirmed to continue, and an additional £238k (2.1%) as indicated in the Spending Review. The allocation for 2017/18 is £10.073m, a further cut of £255k (2.5%).
- 4.6 For planning purposes it is assumed that expenditure on public health will be reduced to match the available grant funding.

Better Care Fund

- 4.7 Better Care Fund (BCF) revenue allocations have been announced and the Sutton allocation is £11.399m an increase of £303k (2.7%) compared to 2015/16. Financial plans will be agreed in detail through the Health and Well-being Board.

Former Independent Living Fund (ILF) Recipient Grant

- 4.8 The Former ILF Recipient Grant is paid to Councils in recognition of the additional costs they will incur following the closure of the ILF on 30 June 2015. Responsibility for providing support to former ILF recipients has transferred to local authorities and the grant is intended to meet the cost of this support. Sutton's allocation for 2016/17 is £124k with reductions in later years (2017/18 £120k, 2018/19 £116k, 2019/20 £112k) reflecting projected numbers that will no longer require the support over time. It is expected that required expenditure will broadly match the grant funding and this has been assumed in the medium term plan.

Discretionary Housing Payments (DHP) funding

- 4.9 The government has announced the funding for Discretionary Housing Payments (DHP) which has been increased from £294k 2015/16 to £378k in 2016/17, up by £84k (29%). The demand for DHP is difficult to predict and is likely to be affected by impending welfare reform measures including the lowering of the benefit cap to £23k, and the roll-out of Universal Credit with more households impacted by payment in arrears. In the light of this the available funding will be targeted to support those most vulnerable and to prevent homelessness. Awards are made on a temporary basis to help people through difficult periods and are not intended to provide permanent support on an ongoing basis. Expenditure will be closely monitored to ensure that it is contained within available funding.

Levies

- 4.10 The amounts of levies have now been confirmed and are set out in the following table.



Levies 2015/16 and 2016/17				
	Levy 2015/16	Levy 2016/17	Change	Change
	£	£	£	%
Environment Agency	159,606	160,408	802	0.5
Lee Valley Regional Park Authority	209,260	201,624	(7,636)	(3.6)
London Pensions Fund Authority	264,618	258,801	(5,817)	(2.2)
Total - General Levies	633,484	620,833	(12,651)	(2.0)

- 4.11 The Environment Agency levy has been set at £2.27 per Band D equivalent. This results in a levy of £160,408 for Sutton, up by 0.5%.
- 4.12 The Lee Valley Regional Park Authority has reduced their aggregate levy by 2%. The total sum is distributed between contributing authorities (all of London plus some counties) in proportion to their council tax base. The actual impact shown above is a 3.6% reduction as Sutton's tax base has risen at a proportionately lower rate than other Councils. This represents a saving of 4.6%, £9,700, compared to a 1% increase in line with the general price inflation assumption. It is recommended to add the amount of this saving to the core funding provided to the Wandle Valley Regional Park Trust for 2016/17 only, so the funding provided in 2016/17 will be £14k. This can be funded within existing budgets.
- 4.13 The London Pension Fund Authority has frozen their aggregate levy. However, the levy for Sutton has reduced by £5,817 (2.2%) because Sutton's council tax base has increased by less than average.
- 4.14 Overall this has resulted in a reduction in levies of 2% or just under £13k against the 2015/16 budget. Compared to the planned provision in 2016/17 including an allowance for inflation this is a reduction of just under £19k. It is proposed to make a compensating adjustment to the change in reserves, so no adjustment to the net budget requirement is proposed. This will reduce the ongoing base budget in future years.

GLA Precept

- 4.15 The Greater London Authority confirmed its precept on 22 February 2016 in line with the recommendation from the Mayor for a reduction in the precept by £19 to £276.00 for a Band D property. This was reflected in the Strategy and Resources Committee report and appendices.

Dedicated Schools Grant

- 4.16 Appendix B has been revised to reflect the final DSG allocation and expected recoupment. There is no impact on the Council's net budget because the change in DSG is matched by changes in amounts distributed to schools.

Capital Programme

- 4.17 Schools - No announcement on schools basic need capital allocations is expected in advance of the Council meeting. The funding allocation figures for 2016/17 to 2017/18 are known and expenditure included within the capital programme is based on the confirmed funding. As reported in appendix F1, projected spending requirements to 2019/20 exceed confirmed funding by about £23m. This includes the initial estimate of a new secondary school, which will require further refinement as the design process proceeds. Based on past experience is expected that allocations for 2018/19 and 2019/20 will cover this gap. When announcements are made this will be reported to Members together with proposals to address any residual gap, if necessary.
- 4.18 Funding allocations for 2016/17 for capital maintenance and devolved formula capital grant have now been announced. The Council is due to receive £1.452m for capital maintenance grant, which is to be used for improvements to school building condition. A further allocation of £262k is due to be received for capital works to schools via the devolved formula capital grant paid to the Council and passed on to schools.
- 4.19 Disabled Facilities Grant - The Disabled Facilities Grant (DFG) is for the provision of adaptations to disabled people's homes to help them to live independently for longer. The funding allocation for 2016/17, forming part of the Better Care Fund has now been announced and has risen significantly by £0.6m to £1.233m. This is because funding previously received as a non-ringfenced specific grant for Adults Social Care has been diverted into this fund.

Treasury Strategy

- 4.20 The treasury strategy at appendix G (as revised) includes a revised Minimum Revenue Provision (MRP) policy statement. This will clarify the position with regard to capital expenditure on investment properties and loans to Sutton Living within the annual MRP calculation which is used to define the amount set aside to repay debt.

Net Budget Requirement

- 4.21 The Strategy & Resources Committee report proposed the Council's net budget requirement for 2016/17 as £144.916m. This is unchanged in the final budget being recommended in this report.

Consequential changes

- 4.22 The net impact of the changes described is that the revenue budget for 2016/17 remains balanced with a contribution from reserves of £1.294m, slightly changed from the position reported to Strategy and Resources Committee on 8 February 2016. The council tax requirement remains at £85.391m and therefore the Sutton element of the 2016/17 Band D council tax is £1,210.03 (up by £46.43 compared to 2015/16, comprising £23.27 (2%) for the adult social care 'precept' and £23.16 (1.99%) for general purposes). The increase of £46.43 equates to just over 89p a week. Including the GLA precept the Band D council tax for 2016/17 will be £1,486.03, compared to £1,458.60 in 2015/16, an increase of £27.42 (1.9%) or just under 53p a week for a Band D property.
- 4.23 The medium term financial plan, revised from that presented to the Strategy and Resources Committee shows a projected budget gap of £6.9m in 2017/18 rising to £13.8m by 2018/19. The



gap is after use of £2m of reserves in both years, so the underlying gap going forward is £15.8m. This is presented as savings to be identified in revised appendices B and C.

5. Stakeholder Engagement

- 5.1 The Council's Employee Side met Councillor Wales and officers on 3 February 2016 to receive a briefing on the Commissioning and Financial Planning 2016/17 to 2018/19 report to the 8 February Strategy and Resources Committee. The Employee Side subsequently submitted written comments on the budget proposals and Councillor Wales has provided a written response. Members of the Committee have been supplied with copies of the comments and response.
- 5.2 Consultation and stakeholder engagement is carried out in full when individual service changes and savings proposals are taken forward for decision as part of the Committee decision making process where appropriate.

6. Robustness of the Budget Process

- 6.1 The Chief Financial Officer is required, under section 25 of the Local Government Act 2003, to report to the authority on the robustness of the estimates made for the purposes of the statutory budget calculations. The process underlying the calculations was initiated in June 2015 as set out in the report to the Strategy and Resources Committee on Commissioning and Financial Planning 2016/17 to 2018/19. The process has taken into account the Council's progress in meeting its strategic priorities, commissioning intentions, financial and service performance in the current financial year, monitoring and management of key strategic and operational risks and changes to the national and local policy context and conditions. The outcome of the process was reported to Strategy and Resources Committee on 8 February 2016. The Chief Financial Officer is satisfied that the process constitutes a robust basis for the budget calculations set out in this report.

7. Adequacy of Reserves

- 7.1 The Chief Financial Officer is also required to report on the adequacy of the proposed financial reserves. The Council's current policy is that a general reserve of at least 5% of net General Fund expenditure (excluding the schools budget) is necessary to provide a sound minimum level of prudence. In recent years the Council has agreed to continue to increase reserves wherever the financial plans permit in order to maintain the maximum amount of flexibility in the future.
- 7.2 As set out in the report to Strategy and Resources on 8 February 2016, it is proposed to utilise reserves over the medium term to ensure that sufficient time is available to design and implement the transformational change to services that is needed to achieve the required savings. Planned use over the period is £5.4m. The level of General Fund Balances will therefore be as set out in the table below. The projected level at the end of 2018/19 is £11.7m, which represents 7.1% of the projected net revenue budget, exceeding the minimum requirement.

	1 April 2015	1 April 2016	1 April 2017	1 April 2018
	£'000	£'000	£'000	£'000
General Fund Balance	14,366	13,072	11,072	9,072

- 7.3 The Chief Financial Officer considers the level of reserves for the Council to be adequate for this budget year and for the medium term given the significant financial risks reported to Members as part of this planning process.

8. Impacts and Implications

Financial

- 8.1 The financial implications are covered in the report.

Legal

- 8.2 The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax. The amount of council tax must be sufficient to meet the council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget. The proposed budget and timetable will meet the council's duty to set a balanced budget and council tax.
- 8.3 The Localism Act 2011 provides for a council tax referendum to be held if an authority increases its relevant basic amount of council tax in excess of principles determined by the Secretary of State. In December 2015, the Spending Review announced that most principal authorities, which includes Sutton council, proposing increases of 2% or more will need to hold a referendum. However, in addition, councils with adult social care responsibilities may increase council tax by up to a further 2% (so the overall referendum limit is 4%), subject to confirmation that the adult social care budget would have otherwise been lower by that amount. The proposal is not to increase the council tax by 4% or more and therefore, a referendum would not be required.
- 8.4 In considering the budget for 2015/16, members must consider the on-going duties under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and advance equality of opportunity between people who share a protected characteristic and those who do not; and foster good relations between those who share a protected characteristic and those who do not. Members must consider how the decisions will contribute to meeting these duties in light of other relevant circumstances such as economic and practical considerations.
- 8.5 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 require that after any vote is taken at a budget decision meeting of the Council there must be recorded in the minutes of the proceedings of that meeting, the names of the persons who cast a vote for



the decision or against the decision or who abstained from voting. This is reflected in procedural rule 15.3 of Standing Orders.

- 8.6 It is a statutory requirement under the Localism Act 2011 to approve the Pay Policy Statement on an annual basis.

9. Appendices and Background Documents

- 9.1 Revised appendices set out below. Other appendices are unchanged from those presented to Strategy and Resources Committee on 9 February 2015.

Appendix letter	Title
B	Gross Budget Trail
C	Resource Shortfall Tracker
F1	Capital Programme 2016/17 to 2019/20
F2	Capital Programme 2016/17 to 2019/20 (Table of schemes)
G	Treasury Strategy
H	Council Tax Resolution
J	Gross and Net Expenditure by Directorate

Background documents
Employee Side comments on the Budget Report to Strategy and Resources Committee, 8 February 2016
Response to Employee Side comments from Cllr Simon Wales

Audit Trail		
Version	Final	Date: 25/02/16
Consultation with other officers		
Finance	Yes	Phil Butlin
Legal	Yes	Fiona Thomsen

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