

Report to:	Council	Date:	25 February 2019
Report title:	Commissioning and Financial Planning 2019/20 to 2022/23 including revenue budget and council tax setting for 2019/20		
Report from:	Gerald Almeroth, Strategic Director - Resources Jessica Crowe, Assistant Director - Customers, Commissioning and Governance		
Ward/ Areas affected:	Borough wide		
Chair of Committee/ Lead Member:	The Mayor, Councillor Steve Cook Councillor Sunita Gordon, Lead Member for Resources		
Author(s)/ Contact Number(s):	Victoria Goddard, Assistant Director - Resources (Shared Finance Service), 020 8770 4652 Alicia Attoe, Head of Financial Strategy & Reporting, 020 8770 5260		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • Being Active • Making Informed Choices • Living Well Independently • Keeping People Safe • Smarter Ways of Working 		
Open/ Exempt:	Open		
Signed:	 Gerald Almeroth Strategic Director of Resources	Date:	14 February 2019

1. Summary

- 1.1. Strategy and Resources Committee on 11 February 2019 recommended to Full Council to approve the draft Commissioning and Financial Plan for 2019/20 to 2022/23 comprising the revenue budget 2019/20 (including the Housing Revenue Account budget), the capital programme 2019/20 to 2022/23, the treasury management strategy for 2019/20 and the Council Tax for 2019/20. This was subject to some information not confirmed at the time the report was considered by the Committee including final confirmation of approval of the Greater London Authority (GLA) Precept; confirmation of the levy amounts payable to the Environment Agency, Lee Valley Regional Park Authority and the London Pension Fund Authority; and also the final Local Government Finance Settlement (LGFS).
- 1.2. No budgetary changes have been made since the Committee report was prepared, however where minor changes have been made to appendices and/or the report itself this is detailed in this report.
- 1.3. This report also confirms the robustness of the budget process and the adequacy of reserves in line with statutory requirements.

2. Recommendations

Note: Paragraph, section and Appendix references are to the report to Strategy and Resources Committee on 11 February 2019 except where stated.

2.1. Council is recommended to:

Agree the recommendations from Strategy and Resources Committee and the attached revised Appendix G3 (table), Appendix H (Part 2: Appendix A - Allowances: Rates), and Appendix K (paragraph 2 ii).

The recommendations are as follows:

Commissioning Intentions

2.2. Agree the Outcomes Based Commissioning Plan at Appendix A;

Revenue Budget 2019/20

2.3. Agree the proposed General Fund Net Budget Requirement of £144.178m summarised at Appendix B;

2.4. Agree the base budget changes set out in section 12 and summarised in Appendix C;

2.5. Approve the Council's pay policy statement for 2019/20 in Appendix D;

2.6. Agree growth items proposed in Appendix E;

2.7. Agree the 2019/20 savings proposed in Appendix F;

HRA

2.8. Note the rent reduction of 1% as mandated by Government and agree the Housing Revenue Account (HRA) budget 2019/20 including the proposed savings (Appendices G1, G2, and G3 which is revised);

Other

2.9. Approve the Members' Allowances Scheme for 2019/20 (Appendix H - revised).

Capital Programme

2.10. Approve the new Capital Strategy (Appendix I1) including the detailed Capital Programme (Appendix I2) for 2019/20 to 2022/23 with a total spend of £163.362m, including the proposed funding arrangements and policies.

- 2.11. Authorise expenditure to be incurred of £7.944m for the 2019/20 planned works to Council dwellings (Appendix I3) and £0.759m for Expenditure on Corporate Operational Buildings (Appendix I4);

Reserves

- 2.12. Agree the policy on reserves as set out in section 12;

Treasury Management

- 2.13. Approve the Treasury Management Strategy 2019/20 including the Annual Investment Strategy, prudential indicators, Minimum Revenue Provision (MRP) policy and borrowing limits as set out in Appendix J;

Council Tax

- 2.14. Agree the Sutton element of the 2019/20 Council Tax £1,373.81 for a Band D property, an increase of £26.17 (2.00%) for the Adult Social Care Precept and £39.12 (2.99%) for the general increase;
- 2.15. Approve the formal resolution at Appendix K (revised), including the Council Tax Requirement of £100.626m;
- 2.16. Note the proposed GLA precept of £320.51, increased from £294.23 in 2018/19 (an increase of 51p a week);

3. Background

- 3.1. At its meeting on 11 February 2019 Strategy and Resources Committee agreed to propose to Full Council a series of recommendations arising from a report on Commissioning and Financial Planning 2019/20 to 2022/23. This was subject to consideration of the impact of the final LGFS and the incorporation of information not available at the time that report was prepared. This report provides an update following confirmation of some of the outstanding information, what is still yet to be confirmed and why. This is alongside revised versions of the appendices to the original report where these have changed (Appendices G3, H and K).

4. Updates and changes

- 4.1. Appendix G3 (HRA savings) has been correctly formatted to show the line 'Saving resulting from reapportionment of management overheads'. The line does not effect the agreed/committed savings total which remains unaltered.
- 4.2. The Members Allowances Scheme presented at Appendix H has been updated under 'Part 2: Appendix A - Allowances: Rates' to correctly list the Lead Member of Resources (title amendment only).

- 4.3. The Council Tax Resolution presented at Appendix K (paragraph 2 ii) has been updated in order for the wording in this paragraph to correctly show the proposed Council Tax increase of 4.99%.
- 4.4. Bullet points 1.5 and 12.30 have been updated to show the correct amount raised via the Adult Social Care Precept - this is £1.919m (rather than £1.917m).
- 4.5. Recommendations in paragraphs 2.1.3 and 2.1.11 referred to detail in section 13. This is in fact section 12.
- 4.6. The final bullet point under paragraph 11.1 of the Committee report is corrected and should only read as follows:
- unemployment predicted to be 3.7% in 2019 however this is the lowest % rate in over 4 decades.

The 32.7m figure quoted is the predicted employment figure for 2019.

5. Further information

Local Government Finance Settlement

- 5.1. The final Local Government Finance Settlement was announced on 29 January 2019. There were no changes advised from Government since the provisional Settlement came out on 13 December 2018 therefore no changes were needed to the Medium Term Financial Plan (MTFP) for 2019/20 - 2022/23 at this time.

Other Grant announcements

- 5.2. All other grant announcements made are incorporated within the current plans. The latest being the Brexit funding confirmed in January 2019, of which Sutton's non ring fenced allocation was £0.210m in total for 2018/19 and 2019/20. Government has stated this will not be the only resources councils receive to fund Brexit costs and Government will assess and, if appropriate, fund any potential new burdens arising on councils as part of EU exit work they are undertaking. No further announcement was given as part of the final LGFS and it is still proposed that the total £0.210m is held in reserves by the Council until required.

Greater London authority Precept

- 5.3. The London Assembly considered the Mayor's draft 2019/20 consolidated budget which was approved unamended on 24 January 2019. The proposed Band D GLA Precept therefore remains unchanged at £320.51. The Mayor's final budget will be considered by the London Assembly on 25 February 2019.

Levies

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

Levies 2018/19 and 2019/20	Levy 2018/19	Levy 2019/20	Change	Change
	£	£	£	%
Environment Agency	165,083	166,751	1,668	1.01%
Lee Valley Regional Park Authority	175,885	174,055	(1,830)	-1.04%
London Pensions Fund Authority	254,614	251,668	(2,946)	-1.16%
Total - General Levies	595,582	592,474	(3,108)	-0.52%

- 5.5. The Environment Agency levy has increased due to a change in the gross budgeted expenditure between years reflecting the programme of works for both capital and revenue needed by the Regional Flood and Coastal Committee to which the Council contributes. The total Levy has increased by 1.99%, and Sutton's element has increased by £1,668 (1.01%).
- 5.6. The Lee Valley Regional Park Authority have approved a 0% increase in the levy for 2019/20 leaving the total amount to be raised by the levy in 2019/20 lower than the level in 2001/02. The authority has stated in deciding this year's levy, they were mindful of financial pressures and the current economical climate effecting its contributing authorities. The actual impact shown above is a £1,830 (-1.04%) reduction again as a consequence of changes in relative Council Tax bases. The confirmed levy represents a saving of £5.3k compared to a 2% increase in line with the general price inflation assumption. It is recommended to add this amount to the core funding of £5k provided to the Wandle Valley Regional Park Trust for 2019/20 only, so the funding provided in 2019/20 will be £10.3k.
- 5.7. The London Pension Fund Authority has again frozen its levy. However, the levy for Sutton has reduced by £2,946 (-1.16%) as a consequence of changes in relative Council Tax bases.
- 5.8. Overall the confirmation of the levies has resulted in a actual reduction in levies of £3.1k (-0.52%) as detailed in the table above. Compared to the planned provision in 2019/20, including an allowance for inflation this is a reduction of £15k. After taking into account the proposed allocation of £5.3k to Wandle Valley Regional Park Trust this leaves £9.7k remaining. It is proposed to add to this to non-service revenue budget as a small contingency in 2019/20 so no adjustment to the net budget requirement as a result of the outcome on levies is proposed. The full reduction will be reflected in the ongoing base budget in future years.

6. Stakeholder Engagement

- 6.1. The Council's Employee Side were briefed on the budget proposals at a meeting on 4 February with officers and the Cllr Sunita Gordon, the Lead Member of Resources. Any formal response received from Employee Side in advance of the Council meeting will be made available to members together with details of any response.

- 6.2. 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.

7. Robustness of the Budget Process

- 7.1. 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 July 2018 as set out in the report to the Strategy and Resources Committee on Commissioning and Financial Planning 2019/20 to 2022/23 of 16 July 2018. 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 11 February 2019. The Chief Financial Officer is satisfied that the process constitutes a robust basis for the budget calculations set out in this report.

8. Adequacy of Reserves

- 8.1. 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 school's budget) is necessary to provide a sound minimum level of prudence. Since 2010 when grant funding from Central Government started to reduce, the Council agreed to increase reserves wherever the financial plans permit in order to maintain the maximum amount of flexibility in the future.
- 8.2. As set out in the report to Strategy and Resources on 11 February 2019, there is considerable uncertainty for local government funding after 2019/20. However, it is expected that over the future planning period the Council is likely to face further significant reductions in funding alongside continuing demographic pressure on key services. The identification and delivery of savings options to close the estimated budget gap, particularly in 2020/21, will need to start early in this calendar year in order that members can give proper consideration to these options alongside the local government finance settlement at the end of 2019. The outcome based commissioning reviews will inform this process.
- 8.3. In the budget for next year £1.089m is proposed to be used to bridge the funding gap (in contrast to £2m in both 2017/18 and 2018/19 as agreed in 2016). The level of General Fund balances is forecast to remain at the recommended minimum prudent level, in line with the Councils' policy, over the planning period to the end of 2022/23 at £7.284m, representing 5.04% of the projected net revenue budget at the end of the planning period. Reserves play a key part in maintaining financial resilience over the short and medium term. The General Fund balance is in addition to other ear-marked reserves for specific purposes.

	Actual 31 March 2018 £m	Estimated 31 March 2019 £m	Estimated 31 March 2020 £m	Estimated 31 March 2021 £m	Estimated 31 March 2022 £m
General Fund balance	9.075	7.284	7.284	7.284	7.284

- 8.4. 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 continuing significant financial risks reported to Members as part of this planning process.

9. Impacts and Implications

Financial

- 9.1. The financial implications are covered in the report.

Legal

- 9.2. 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.
- 9.3. 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. The LGFS published in December 2018, announced that a referendum must be held if Council Tax for general spend is to be increased by 5% or more. Council Tax for general spending requires a referendum if it rises by 3% or more alongside a maximum 2% Adult Social Care Precept. The setting of the Adult Social Care Precept must not exceed a rise of 6% over 3 years from 2017/18. As the proposed increases are less than that, the proposals in the report would not require a referendum.
- 9.4. In considering the budget for 2019/20, members must consider the ongoing 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.
- 9.5. It is a statutory requirement under the Localism Act 2011 to approve the Pay Policy Statement on an annual basis.

- 9.6. The Local Government and Housing Act 1989 and the Local Authorities (Members' Allowances) (England) Regulations 2003 require authorities to make a scheme for payment of allowances to councillors and to review their members' allowances scheme on an annual basis having regard to the recommendations of an independent remuneration panel.

10. Appendices and Background Documents

- 10.1. Revised appendices set out below. All other appendices are unchanged from those presented to Strategy and Resources Committee on 11 February 2019.

Appendix Letter	Title
G3	Appendix G3 - HRA savings (amended for Full Council)
H	Appendix H - Members' Allowances Scheme (amended for Full Council)
K	Appendix K - Council Tax Resolution (amended for Full Council)

Background documents
<ul style="list-style-type: none"> The Final Local Government Finance Settlement 2019/20 - https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020 Strategy and Resources Committee of 11 February 2019 - Commissioning and Financial Planning 19/20 to 21/22 Report (Item 6)

Audit Trail		
Version		Date: 14 February 2019
Consultation with other officers		
Finance	Yes	Victoria Goddard Alicia Attoe
Legal	Yes	Fiona Thomsen Tracy Swan