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<th>Report to:</th>
<th>Strategy and Resources Committee</th>
<th>Date:</th>
<th>11 February 2019</th>
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<tr>
<td>Report title:</td>
<td>Commissioning and Financial Planning 2019/20 to 2022/23</td>
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| 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:    | Councillor Ruth Dombey, Chair     |       |                 |
|                                     | Councillor Sunita Gordon, Lead Member for Finance |       |                 |
| 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  
Sam Barker - Head of Communications, Insight & Engagement, 020 8770 5141 |       |                 |
| Corporate Plan Priorities:          | ● Being Active  
● Making Informed Choices  
● Living Well Independently  
● Keeping People Safe  
● Smarter Ways of Working |       |                 |
| Open/ Exempt:                      | Open                              |       |                 |
| Signed:                             | Jessica Crowe  
**Assistant Director - Customers, Commissioning and Governance** |       |                 |
|                                     | Gerald Almeroth  
**Strategic Director of Resources** |       |                 |
| Date:                               | 30 January 2019                  |       |                 |
1. **Summary**

1.1 This report seeks approval for the Council’s Annual Commissioning and Financial Plan for 2019/20 to 2022/23.

1.2 The revenue budget for 2019/20 is presented for agreement and for recommendation to Full Council on 25 February 2019. This will meet the requirement in the Local Government Finance Act 1992 for the Council to set a budget for 2019/20 by 11 March in the preceding financial year.

1.3 The report also recommends the level of Council Tax for 2019/20 for Sutton and also includes the Greater London Authority (GLA) Precept.

1.4 Members are asked to consider and recommend to Council for adoption the proposed forward financial plans, both revenue and capital, to form the updated Medium Term Financial Plan (MTFP) and Capital Strategy to support the delivery of the new Corporate Plan. The report also presents the proposed Treasury Management Strategy for 2019/20.

1.5 The recommended revenue budget for 2019/20 in broad terms includes; £4.278m of inflation, £6.247m of service growth cost pressures (including children’s safeguarding and adult social care); funded by £6.408m of proposed savings, a general increase in Council Tax of 2.99% that will raise £2.868m of funding, a further increase of 2.00% in Council Tax for the Adult Social Care Precept that will raise a further £1.917m, other general budget adjustments of £0.55m, pre agreed use of reserves of £2.000m, and a further use of reserves of £1.089m.

1.6 The recommendation to Full Council of a 2.00% Council Tax increase for the Adult Social Care Precept is a £26.17 (50p a week) increase for a Band D property. The general 2.99% Council Tax increase is £39.12 (75p a week) on a Band D property. This will mean the Sutton element of Council Tax will go up to £1,373.81 for a Band D property for 2019/20, an increase of 4.99%.

1.7 The financial plan over the next 3 years shows that after a balanced budget in 2019/20, savings of £12.089m in 2020/21, £5.152m in 2021/22 and a further £4.706m in 2022/23 will be required to close the budget shortfall gap based on current information. Should any of the current factors change, resulting in additional cost pressures or loss of further funding, then potentially further savings will be needed.

1.8 At present 2020/21 has the high shortfall balance of £12.089m as a large amount of funding for previous years is assumed to cease at the end of the 4 year Local Government Finance Settlement (LGFS) in 2019/20. Also, where other funding streams are not specifically confirmed as continuing are not assumed in the MTFP at present until further information is known. Areas such as the Collection Fund surplus or any gain from the Business Rates Retention Pilot have also not been assumed for future years. Reserves usage in 2019/20 is also assumed to be one off.

1.9 At the time of publication of this report, if any figures are still estimated or not published, they will be reported to Full Council on 25 February 2019.
2. **Recommendations**

The Strategy and Resources Committee is recommended to:

2.1 Agree the following recommendations to Full Council for consideration on 25 February 2019:

**Commissioning intentions**

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

**Revenue Budget 2018/19**

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

2.1.3. Agree the base budget changes set out in section 13 and summarised in Appendix C;

2.1.4. Approve the Council’s pay policy statement for 2019/20 (Appendix D) ; and

2.1.5. Agree growth items proposed in Appendix E;

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

**HRA**

2.1.7. 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 - G3);

**Other**

2.1.8. Approve the Members’ Allowances Scheme for 2019/20 (Appendix H).

**Capital Programme**

2.1.9. 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.

2.1.10. 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**

2.1.11. Agree the policy on reserves as set out in section 13;

**Treasury Management**

2.1.12. 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

2.1.13. 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;

2.1.14. Approve the formal resolution at Appendix K, including the Council Tax Requirement of £100.626m;

2.1.15. Note the proposed GLA precept of £320.51, increased from £294.23 in 2018/19 (an increase of 51p a week);

Background

2.2 The Council uses the annual financial planning process to review and update the commissioning activities that will be delivered over the coming financial year to deliver the Corporate Plan priorities in the wider economic and policy context within which the Council is currently operating.

2.3 The Council has adopted its new Corporate Plan ‘Ambitious for Sutton’ which sets out a clear vision for the kind of place the Council wants Sutton to be. These ambitious and exciting plans are underpinned by our shared values and will ensure that Sutton continues to enhance its reputation as a great place to live, work and raise a family. Reviewing and re-commissioning services has already resulted in the Council being able to meet the challenges that austerity has presented. In order to continue to be able to address the ongoing reduction in funding and associated budget gap, it is the time for a refined approach of outcome based commissioning reviews that is set out in this plan. This means looking at a number of service areas together, rather than on a directorate by directorate basis, under 4 new outcome-based themes plus a fifth one around working smarter.

<table>
<thead>
<tr>
<th>Being Active Citizens</th>
<th>All residents live healthy lifestyles and are enabled to be economically, socially and physically active.</th>
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<tbody>
<tr>
<td>Making Informed Choices</td>
<td>Individuals, families and communities are able to access a diverse range of information, advice and guidance to make informed choices and enable them to sustain change.</td>
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<tr>
<td>Living Well</td>
<td>Building on individual and community resilience and assets to help people maintain their independence for as long as possible</td>
</tr>
<tr>
<td>Keeping People Safe</td>
<td>A joined up approach by all public services to ensuring that vulnerable residents are supported and kept safe.</td>
</tr>
<tr>
<td>Smarter Ways of Working</td>
<td>Transforming our ways of working to manage reduced budgets and increasing demand.</td>
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3. Towards Outcome Based Commissioning

3.1 The scope of each Outcome Based Commissioning Review (OBCR) includes all Council (and partner services) that contribute to the proposed vision and associated outcomes for each review. Each Commissioning Review is following the **LBS commissioning cycle**. The reviews continue to utilise the Council’s Developmental Asset approach and will seek to identify and build on those assets that are already present in individuals and communities.

3.2 Partner engagement is crucial and the OBCRs are an opportunity to put the Sutton Plan principles into practice, and make effective and practical use of the new governance arrangements recently agreed within health and social care in particular. Buy-in from the Clinical Commissioning Group (CCG) and other health partners will be vital and the reviews will be taken formally to the appropriate decision-making bodies such as the Local Transformation Board as part of the Health Integration Programme. The reviews will also follow the Sutton Plan principles as outlined in section 4 below.

3.3 In September 2018, the first 2 reviews Being Active Citizens and Making Informed Choices commenced, both reviews have been fully scoped and are currently in the analyse phase. It is anticipated that Living Well Independently and Keeping People Safe will commence in early 2019.

3.4 The Outcomes Based Commissioning Plan 2019/20 (Appendix A) sets out what will be delivered by the Council, working with partners to deliver these new outcomes for the Borough. The plan reflects the continuing requirement for service review and change in the light of continued central government retrenchment and demographic and other cost pressures, and our consequent need to find further savings to address the projected budget gap to 2020/21 and beyond.

3.5 The Council is very conscious of the need to monitor closely the cumulative impact of these service changes on communities in the Borough and our Equality Impact Assessment provides the methodology and framework by which this can be done for all commissioning decisions and service changes. In particular this will ensure that commissioners and decision-makers are fully aware of the equalities impacts of planned service changes as options are considered.

4. The Sutton Plan - into action

4.1 In April 2017 the Council launched The Sutton Plan – an attempt, alongside our major local partners,¹ to rethink and overhaul the way that we design, plan and deliver the services our residents need and rely on. Partners identified 3 priority areas, where they felt there was need for improvement: domestic abuse, early help to young families and support for older people at risk of isolation.

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4.2 In addition to ongoing work, leadership support was provided in these areas, to develop collaborative working, but also to learn from the process of trying to improve the partnership by focusing on three very different areas. This work also validated the agreed Sutton Plan principles which have been shown to be useful in practice:

- One – think place first - We will prioritise the needs of Sutton and its communities, rather than any single organisation, throughout our work as a partnership.

- Two – work across sectors - We will build and sustain partnerships across all of the Borough’s key organisations.

- Three – get involved early - We will tackle the causes of problems, not merely react to their symptoms.

- Four – build stronger, self-sufficient communities - We will help communities work together, and in partnership with other local organisations, to build and maintain strong social networks and opportunities for individuals and organisations to work together.

- Five – provide coordinated, seamless services - We will improve the way we work together behind the scenes to reduce the number of times people have to contact public services.

4.3 The Sutton Plan continued to draw in data from residents via the Sutton’s Future consultation. It also supported the launch of the Perinatal Infant Mental Health network in October. Finally, in order to get input on the new Sutton Health and Care Plan a large engagement event with over 120 residents and professionals was delivered in partnership with the Sutton CCG.

4.4 Examples such as the Perinatal and Infant Mental Health Network, Sutton Health & Care and the Domestic Abuse Transformation Programme (further detail below) show that the Sutton Plan is beginning to support more coherent public services, shaped around the needs of all of Sutton’s residents and service-users. In February, the partnership is reviewing all progress and learning and considering which future areas its work should focus on. As the partnership is maturing, in the next phase the intention will be to focus on large scale, system wide issues.

5. Tackling Domestic Abuse

5.1 In February 2017, Strategy and Resources Committee agreed to allocate £1.25m of transitional funding over 3 years to a programme of work relating to domestic abuse. This programme is aimed at transforming Sutton’s performance in tackling domestic violence and abuse (DVA). This is one of the main Sutton Plan priorities, and funding was agreed to run from 2017/18 to 2020/21.

5.2 In year 1 (2017/18) of the programme, a senior level multiagency Transformation Board was set up, bringing together Sutton Plan partners from Epsom and St Helier hospitals, Royal Marsden NHS Foundation Trust, Primary and Secondary Schools Heads, Health, Community Action Sutton, the London Fire Brigade, the Metropolitan Police Service, Sutton Housing Partnership, Sutton CCG and Sutton Council. All partners have agreed to work together to reduce domestic abuse within the Borough.
5.3 As one of its initial pieces of work, the Board commissioned a national charity (Standing Together against Domestic Violence) to undertake some research into the current services and approach to domestic abuse in the Borough, and to carry out a gap analysis between the current position and best practice. As a result of this research, the Board has given direction and guidance to a number of workstreams, which have been developing their work during year 2 (2018/19):

- A commissioning workstream to create a domestic abuse commissioning strategy and specification, for commissioning of integrated and sustainable core domestic abuse services from November 2019 to October 2022, as well as to review and ensure existing domestic abuse services are maintained to October 2019;
- Schools, housing and health re identifying and supporting early intervention and prevention activities;
- A comprehensive Communications Strategy, developing the notaloneinsutton.org website, conducting surveys ensuring messages about domestic abuse are seen, heard and understood;
- A learning and development workstream to develop a cohesive domestic abuse training programme and materials for a range of staff and partners;
- A data workstream to identify key data to be collected and shared where possible between key partners, to enable faster and more effective interventions for victims and their families, and;
- A digital (Smart Place) workstream to ensure we embed digital opportunities across all workstreams.

5.4 The Board continues to monitor the budget available, and to allocate funding as between the workstreams as appropriate. Approx 50% of the budget (£0.625m) is to be allocated to the commissioning of integrated and sustainable services for the period November 2019 to October 2022.

6. Health and Care Integration

6.1 The Sutton Plan promotes good quality of life, access to decent jobs and services, and strong communities with a system of health and care that is shaped around the needs of residents:

- collaborating on a better system of health and social care which provides responsive, seamless, personalised and affordable services for all of those who need them – reducing the need for expensive in-hospital care;
- further promoting single point of access services which are easy to navigate and offer the right care at the right time, and;
- building upon existing initiatives to increase individual and community resilience.

6.2 As previously reported, since early 2017 the London Borough of Sutton has been working with Sutton CCG to develop proposals for an expansion of care in the community with the aim of reducing unplanned hospital admissions and length of stay (occupied bed days). Over the last year partners in Sutton have collaboratively designed a new, integrated model of care for older people.
6.3 Health (Sutton CCG) and social care (London Borough of Sutton) commissioners have worked with local providers to identify a single vision, shared objectives and a ‘one service’ integrated delivery model under the banner of Sutton Health and Care (SHC).

6.4 In April 2018 Sutton Health and Care (SHC) became ‘live’ through the establishment of a ‘Consortium Agreement’, bringing together teams from London Borough of Sutton with 3 other partner organisations: Epsom and St Helier University Hospital NHS Trust; SW London and St George’s Mental Health NHS Trust; and Sutton GP Services Ltd (plus Royal Marsden NHS Foundation Trust under contract as they are not formally part of the Consortium), to deliver the following key elements:

- Rapid Response Service - multi-disciplinary, short-term intensive care packages for people at serious risk of admission to hospital;
- multi-disciplinary short-term packages of care to transition from acute/high intensity support back into long-term care, reducing re-admission;
- Discharge to Assess - supporting people to be discharged as quickly as possible, and to receive multi-disciplinary assessment at home, and;
- Step Closer to Home - short-term bedded care, transitioning from acute need to discharge.

6.5 No new organisation has been formed and staff continue to hold their existing contracts but work innovatively and as ‘one service’ to deliver improved care for people.

6.6 An Alliance Board has been formed, jointly accountable for delivering the new care model and how the funding shared between partners will be spent. SHC will initially hold a budget of around £6.47m made up of the current spend for the services being brought together. In addition, there has been an additional investment amount for the first year of £1m to be spent on areas which providers jointly decide are priorities to enable the outcomes for the service to be delivered. This was provided by the CCG.

6.7 The day to day leadership and management of staff working in the alliance is provided by an Integrated Management Group, with representation from across each provider organisation.

6.8 People accessing care will see teams work together to provide a personalised joined up response, using the same information, care records and processes. They will not have to repeat themselves and will receive the right care quickly and in the best setting.

7. Report to Health and Wellbeing Board September 2018

7.1 The report updated on progress with the Health and Social Care Integration Programme that has been partially ‘in flight’ for the past year with a recent focus on establishing the Sutton Health and Care (SHC) reactive model, ‘SHC at home’, described above. There are a number of pre-existing initiatives that have been incorporated into the programme:

- SHC at home.
- Integrated Digital Care Records.
● Multidisciplinary Locality Team (Wallington Library).

● Drafting the SHC Plan.

● Established Better Care Fund (BCF).

There are other examples of joint working and specifically joint commissioning which are picked up by the programme now too. The reason for bringing together these existing projects and initiatives is to try and ensure we are achieving system-wide change as opposed to reinventing things in isolation and, potentially, creating disconnections.

7.2 Alongside this work, there are also clear priorities for health and social care provision in Sutton. At this point, they are thought to be:

● Piloting Multi Disciplinary Teams (MDTs).

● Falls, Dementia, and End of Life Care.

● Social Prescribing.

● Insourcing Children's Community Services - with a commissioning review to follow.

● Reviewing the offer to people with learning disabilities including the challenges around Special Educational Needs and Disability (SEND) provision, specifically implementing the requirements of the Written Statement of Action (WSOA) in response to OFSTED.

● Wider work to establish our approach to preventative and proactive care.

7.3 The report set out that we will establish teams with the capacity to deliver this programme, including teams to be set up for progressing models of delivery for Preventative (including the voluntary sector) and Proactive (piloting in one locality) services and initiatives, responding to a challenge statement asking how we will integrate care in our localities, based on our building blocks of:

● care coordination;

● risk stratification, and;

● practicalities of forging the teams.

8. National and Regional Policy Developments

8.1 On 23 June 2016 the UK voted to leave the European Union (EU). In the last year, work has been undertaken to understand the risk presented by a ‘no deal’ scenario. However, this work is challenging as the negotiations and political situation are fluid and there is a lack of information with which to prepare contingencies. It is believed that such a scenario could impact on a wide range of areas nationally, including finance, supply chains, workforce and the economy. The key issues which have been assessed as most likely to impact Sutton in a ‘no deal’ scenario are the workforce of commissioned social care providers, funding previously provided by the EU for regeneration and works and potential cost increases in planned construction work, as well as managing any impact of a general economic downturn or possible civil unrest.
8.2 The work on Brexit has continued to dominate the Government’s policy agenda and their attention and focus on other issues is much reduced as a result. There are a number of major policy challenges affecting local government which emanate from central Government and/or appear to be unintended consequences of other policies. For example, the continuing impact of welfare reform and the long term financial settlement for local government.

8.3 In addition to this context, issues such as continuing demographic growth will continue to put pressure on housing supply and demand, similarly changes in schools funding arrangements and demand for high needs SEND placements will continue to drive budget pressures. Responses to these and other developments are likely to require further decisions by the Council during 2019/20 and will be brought to members as appropriate.

9. Sub Regional Policy Developments - The South London Partnership

9.1 Sutton is part of the South London Partnership (SLP) along with the neighbouring boroughs of Croydon, Kingston, Merton and Richmond - a sub-regional grouping committed to promoting growth and greater well being across South London. In July 2015 the 5 boroughs formed a new South London Joint Committee and have continued to work together on a range of policy issues.

9.2 SLP launched its devolved Work & Health Programme in March 2018. This £13m project, comprising £7.6m funding from Department for Work and Pensions and £5.3m from the European Social Fund, will support around 5,000 residents with health or disability challenges or those long-term unemployed into work over the next 5 years. By the end of September 2018, 142 Sutton residents had been referred to the programme and 86 started on it, with 15 already supported into work.

9.3 SLP has secured £4m funding from the London Business Rates Retention Strategic Investment Pot for a 3 year South London Internet of Things project that will deliver a series of pilots to gather data from local sensors to use to address different practical challenges to support our local economies and services.

9.4 Having secured agreement from the Deputy Mayors for Transport and Regeneration, Planning & Skills, SLP has been working with their officers to develop a South London Infrastructure for Good Growth Strategy that will set out the transport and other infrastructure needs to underpin good growth opportunities and support boroughs to work towards indicative new housing targets in the Mayor’s draft London plan and support jobs growth. Following discussions with the Deputy Mayor for Transport in December to agree a set of joint actions to take forward key priorities together, the strategy is due to be finalised and published in the spring. The SLP has also continued to lobby for sub-regional transport priorities, including the Sutton Link and Brighton Mainline upgrade.

9.5 SLP continues to work with NHS partners across the South West London health sub-region. In particular, this has secured a shift from developing plans at a sub-regional level to a focus on borough level Local Health & Care Plans to inform more strategic planning where it is required. SLP Directors of Adult Services are also collaborating to deliver improvements and efficiencies in Learning Disability and Continuing Health Care.
10. **The London Plan**

10.1 The plan supports many of the Council's own strategic priorities. It designates Sutton Town Centre as an Opportunity Area, with the capacity to provide 5,000 new homes and 3,500 new jobs, both of which are possible over the 22 year period of the plan. It also supports a tram extension to Sutton Town Centre, for which the Council continues to lobby for as a necessary improvement in Sutton's and South London's transport infrastructure to enable growth. It also references the London Cancer Hub as one of London's sector-specific growth opportunities.

10.2 The proposed housing target for Sutton of 939 new dwellings per annum in the draft London Plan is however deemed to be unachievable. The Sutton Local Plan identified an achievable target of 427 new dwellings per annum, which is an 18% uplift on the adopted previous London Plan target. The overall housing delivery policy of the Draft London Plan results in a shift of focus to the development of small sites in suburban areas. The council considers this policy is not justified by evidence and is not deliverable. The Draft London Plan provides no substantive policy mechanisms to achieve this required uplift, would not provide much needed local family housing and would be detrimental to the character of suburban London. Council officers have submitted a rebuttal to this element of the Draft London Plan proposals and have led on a wider joint response from the Boroughs of Sutton, Kingston, Richmond and Merton and will be representing the 4 boroughs at the Draft London Plan Examination in Public in February 2019.

11. **National Financial Update and Impact on Sutton**

**Autumn Budget 2018**

11.1 Government’s Autumn Budget\(^2\) was announced in November 2018 and is stated to build on strong foundations of; Government meeting fiscal rules 3 years early, the deficit falling to its lowest level since 2001, and also debt starting its first sustained fall in a generation. The Budget outlines specifically:

- GDP growth of 1.3% (down from 1.7% in 2017, but predicted to rise again in 2019 to 1.6%);
- wage growth at its strongest in 10 years; and,
- unemployment predicted to be 32.7m (3.7%) in 2019 however this is the lowest % rate in over 4 decades.

11.2 Government also stated in this budget that they are taking further steps to ensure a positive future by investing in public services by setting out a new path for public spending ahead of the Spending Review in 2019, with day-to-day departmental spending now growing in real terms for the first time since 2010.

11.3 Uncertainty still exists however around the future of Government funding specifically after the end of the 4 year LGFS in 2019/20 and specific risks and uncertainties linked to this are discussed throughout section 12 and 13 of this report.

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11.4 The Budget also detailed significant areas of relevance to local authorities which were as follows:

- £240m of additional funding (in addition to 2018/19 allocations) for authorities to spend on adult social care services to help alleviate winter pressures on the NHS. The purpose being to give assurance to authorities in order to plan for the money across the 2 years and therefore not winding down of services at the end of 2018/19;

- Social Care Support Grant (non ring fenced) of £410m for adults and children's social care. This funding is given alongside the aim for local authorities to use this to ensure that adult social care pressures do not create additional demand on the NHS. Authorities can also use it to improve their social care offer for older people, people with disabilities and children;

- a £30bn package for England’s roads and infrastructure including covering repairs to motorways and potholes. This includes £420m in 2018/19 for local authorities for potholes, road and bridge repairs etc;

- £670m for future high streets fund to support rejuvenation and transformation;

- £400m in year bonus for schools for capital spend, this averages £10k per primary school and £50k per secondary school;

- £5.5bn for housing infrastructure, amounting to an additional £500m with the aim of getting a further 650,000 homes built;

- Local authorities to be fully compensated for lost income from further business rates discounts and changes announced by government. A number of further pilot business rates pools were announced and London’s pool was confirmed as continuing a second year into 2019/20, but only at 75% growth retention rather than the 100% as in the current year, and;

- Planning for all Brexit eventualities. This will include setting aside £500m for Government departments in addition to previously announced resources. In January 2019 local authorities share was confirmed at £56.5m. Government is still retaining £10m for allocation during 2019/20 to respond to specific local costs that may only become evident in the months after the exit the EU.

Provisional Local Government Finance Settlement

11.5 The provisional LGFS was announced on 13 December 2018 and contained some changes to the assumptions already built into the MTFP.

11.6 Three consultations were also announced and these covered, the 2019/20 LGFS itself, 75% Business Rates Retention and the next stage of the Fair Funding Review, the latter two being the most significant. The Fair Funding Review is seeking views on the approach to measuring relative needs and resources of local authorities prior to it’s implementation for 2020/21 and the 75% Business Rates Retention consultation seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed Business Rates retention system. The Council is currently consulting on these responses in detail to ensure the Council reflects on aspects of the retention scheme and new funding mechanisms which may hinder the benefit of growth or funding awarded. The latter two consultations are due to Government on the 21 February 2019 and further commentary on the responses will be given in the final budget report.
The key areas listed in the LGFS detail for 2019/20 for local authorities are provided in the bullet points below with specific grant allocations for Sutton listed later in this section. All revised allocations or changes in funding have been included in the MTFP:

- confirmation of no increase to the threshold in the New Homes Bonus (NHB) calculation;
- £180m balance of the Business Rate Levy Account to be distributed to authorities based on need, and;
- as per paragraph 11.4 and 11.19 additional funding (and allocations) were confirmed for social care.

In overall terms the Settlement Funding Assessment (SFA) announcement for local authorities in England reduced by 5.4%. For London Boroughs this was 5.8%. Sutton’s SFA reduction was higher than both these averages at 9.4% with the 2019/20 allocation being £42.443m. Sutton’s SFA is broken down as follows:

- the business rate baseline (this is the Government’s estimate of the Business Rates collected locally to be retained by the Council under the London pilot pool) - £26.712m;
- the Business Rates top-up grant, reflecting the difference between baseline funding and the Business Rates baseline - £15.731m; and
- the Revenue Support Grant (RSG) has been confirmed at zero due to the London Business Rates Retention Pilot Pool introduction (expected to be £1.500m before the pool).

**London Business Rates Pilot and 75% Business Rates Retention Scheme**

Government is committed to continuing to give local authorities greater control over the money they raise locally and in 2018/19 London became a 100% Business Rates Retention Pilot. The Pilot comprises of the 32 London Boroughs, the City of London and the GLA. In December 2018, the Government confirmed the aim of increasing the level of Business Rates retained by local government from the current 50% to the equivalent of 75% in April 2020. A signed memorandum of understanding with Government was published setting out the terms of the 2019/20 Pilot.

The initial 100% Business Rates Retention Pilot Pool model stated that Sutton’s share of the total net benefit is £2.1m, London Councils have since given further indicative figures at £3.4m. Sutton’s current NNDR collection performance is on track to achieve these original figures.

Further detail is expected in the final LGFS announcement due late January 2019 regarding the pilot however regardless of further announcement there is still uncertainty around this scheme and amounts will still be somewhat indicative and cannot be guaranteed at this point, not least because the issues regarding treatment of valuation appeals and the possible adjustment of functions or other funding remaining to be determined. It is difficult to predict with accuracy the Council’s gain under 75% retention so it is deemed not prudent to adjust the MTFP at this stage. The pilot has also been agreed to be extended in to the second year, but beyond that is unknown, therefore there is also some risk in assuming the full amount of potential additional resources not only under technical aspects but also the duration.
11.12 Consideration for using any additional benefit to fund Regeneration Capital Investment also needs to be given in 2019/20. At present £5m has been assumed from the London Pool against the Capital Programme over the period 2019/20 to 2022/23. £3.3m is partially funding the set up of a £5m Strategic House/Regeneration Fund and £1.7m is proposed to be applied against the general programme.

**Business Rates**

11.13 A significant factor in determining the amount of Business Rates collected are the Business Rate reliefs offered by the Government as incentives. As these are mandatory reliefs Government will compensate Councils for the lost revenue through Section 31 grants. Overall the Council’s estimate of retained receipts from Business Rates in 2019/20 is £26.712m. In addition Section 31 grants totalling £3.1m are expected.

11.14 Where there are differences between planned and actual business rate receipts, after adjusting for other items such as providing for the likely future cost of appeals, this gives rise to a surplus or deficit on the **Collection Fund**. In 2019/20 a surplus has been estimated at £0.580m which has been included in the plans. It is still prudent to not include any assumed surplus’ beyond 2019/20 as uncertainty still exists as a result of historic appeals and impact of appeals in the future.

**Council Tax**

11.15 In recognition of the pressures facing local authorities in respect of growing demands for adult social care services and the support this provides to the NHS, the **Adult Social Care Precept** on council tax was introduced in 2016/17 where local authorities were allowed to increase council tax by an additional 2.0% (i.e. above any otherwise permitted amount) each year of the 4 year period 2016/17 to 2019/20. From 2017/18 this was amended to allow flexibility around the remaining 3 years so that it may be raised by up to 3% in any one year (except the third year) as long as the total additional rise does not exceed the expected 6% to 2019/20. Sutton has utilised the precept of 2% in each of the previous 3 years and proposes to include this for the final year in 2019/20.

11.16 In the provisional local government finance settlement of December 2017, Government confirmed an increase in the threshold for the general element of the council tax by 1% to 3% without the need for a local referendum. In the 2018 Autumn Statement, the Government confirmed this policy would continue to be available for local authorities for 2019/20.

11.17 There is a Collection Fund undistributed surplus on Council Tax of which Sutton’s share is £0.528m, this has been included in the current MTFP for 2019/20.

**Grants**

11.18 The Brexit funding announced in the Autumn Budget 2018, was confirmed in January 2019 to include a local authority allocation. Sutton’s recently announced allocation is £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. Further announcements are also expected as part of the Final LGFS which will be noted in the final budget report. It is proposed that the £0.210m is held in reserves until required.
11.19 The additional social care funding announced in the Autumn Budget 2018 gave Sutton a total allocation of £1.997m in 2019/20; £1.260m as Adult Social Care Support Grant and £0.737m as winter pressures. This total amount is the 3rd lowest allocation in London and lower than the outer London average allocation of £2.911m. The allocation is for 2019/20 only and therefore not assumed in plans for future years.

11.20 The “Minimum required value of CCG contribution to the Better Care Fund (BCF) pooled budget” for 2018/19 is £11.824m. The amount in 2019/20 hasn’t been announced yet but the expectation is that it will be a similar figure. The final contribution to the pooled budget from the CCG for 2019/20 needs to be agreed between commissioners as part of the BCF budget discussions (this contribution needs to be at least the minimum required value but it can be more).

11.21 Sutton’s (Improved) IBCF funding allocation for the period 2017/18 to 2018/20 and provisional allocation for 2019/20 is shown in the table below. The allocations will require consultation with the CCG and the Council is proposing to spend it on supporting adult social care which assists with the overall health and care economy in the Borough.

<table>
<thead>
<tr>
<th></th>
<th>2017/18 (£m)</th>
<th>2018/19 (£m)</th>
<th>(Provisional) 2019/20 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBCF announced in the 2017 Budget</td>
<td>2.4</td>
<td>2.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Additional IBCF funds</td>
<td>0.0</td>
<td>0.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>2.4</td>
<td>2.9</td>
<td>3.2</td>
</tr>
</tbody>
</table>

11.22 The future position about IBCF funding, particularly going forward from 2020/21 after the end of the current 4 year LGFS is a major risk for the revenue budget. It is anticipated that IBCF funding is available to offset the adult social care cost pressure in 2019/20 where it meets the criteria set out by Government. Any alteration to the 2019/20 IBCF allocation from the Final LGFS announcement will be communicated in the final budget report.

11.23 In January 2017 Government announced that it will provide funding to local government to meet the new burdens costs associated with the Homelessness Reduction Act. London will receive £30m of the £73m national allocation between 2017/18 and 2019/20 and Sutton’s allocation is £0.151m in 2017/18, £0.139m in 2018/19 and £0.131m in 2019/20. Local authorities, including Sutton, have consistently said that these are not sufficient resources to implement the Act. The recommended budget for Sutton includes associated costs of £0.75m above the grant funding in the base budget for 2018/19 and is expected to rise in future years, given the continuing increase in the number of households in temporary accommodation. The Council is only able to mitigate the cost of the increase in use of temporary accommodation through:

- continued deployment of Flexible Homelessness Support Grant, and;

- the positive impact of the property acquisition programme which has enabled the Council to a reduce reliance on more expensive, so-called nightly paid private sector accommodation.
11.24 The **Public Health Grant** is confirmed at £9.555m for 2019/20, down 2.6% from £9.814m in 2018/19, but in line with expectations. Sutton's indicative grant allocation for 2020/21 is unchanged from 2019/20 at £9.555m.

11.25 The provisional LGFS confirmed the **New Homes Bonus** 0.4% threshold will remain and payments for homes approved after appeal will not be withheld. As an incentive for delivering more new homes, Councils that fail to achieve new homes growth above the baseline will not receive any grant for that year (but will still get their previous year allocation instalment). NHB will also be phased out completely by 2022/23.

NHB is a complex grant to profile and further work has been completed to refine current estimates for this grant. This has caused an increase to the estimated grant receipt by £65k in 2019/20 giving a total sum of £2.001m for the year. This is a reduction from the £2.668m received in 2018/19.

11.26 **Other Grants** confirmed for 2019/20 are:

- Housing Benefit Administration Grant at £0.514m (£0.553m in 2018/19);
- Universal Credit Support at £41k (£78k in 2018/19);
- New Burdens funding for Revenue and Benefits at £49k (£52k in 2018/19).
- Council Tax Reduction Scheme Administration Grant at £0.199m (2018/19 £0.204m).

**Schools Funding and Dedicated Schools Grant (DSG)**

11.27 In relation to **schools funding** since 2018/19 the schools block funding for each local authority has been set by calculating notional allocations for each school according to the **National Funding Formula** (NFF) and these have then been aggregated and used to calculate a total allocation for each local authority. Actual individual school budgets from 2018/19 to 2020/21 will be determined by local formulae in consultation with schools and Schools’ Forums. Local formulae can be different from the notional allocations. Also schools remain protected by the Minimum Funding Guarantee (MFG) which for Sutton states that no school can lose by more than 1.5% per pupil in any one year. Sutton moved towards the implementation of the NFF in 2018/19 and will implement the NFF in full in 2019/20.

11.28 The **DSG** is split into 4 Blocks; Schools, Central School Services, Early Years, and High Needs. In 2019/20 the Schools Block is allocated using units of per pupil funding which for Sutton primary is £4,104 (up from £4,082 (0.54%) in 2018/19) and secondary is £5,141 (up from £5,018 (2.45%) in 2018/19) plus historic based spend for premises and mobility and growth funding. From 2019/20 a formulaic approach to allocating growth funding to local authorities has been introduced to ensure fair and consistent distribution. Growth allocations for 2019/20 will be based on pupil data from the October 2018 Census with growth factors of £1,370 per primary pupil and £2,050 for each secondary pupil. In addition Sutton has been allocated £65k for the new free school, Harris Academy, that opened in September 2018.

11.29 The **Central School Services Block (CSSB)** is allocated on a per pupil rate for ongoing functions such as schools admissions, copyright licences and the Central Provision, which funds ‘retained duties’ of local authorities in respect of pupils in all schools (maintained and academies), and also previously agreed historic functions.
11.30 A provisional allocation for the Schools Block for Sutton in 2019/20 is £153.252m (including funding for academies) and was ring-fenced for mainstream provision from 2018/19. However there are local budget flexibility arrangements which allows the Schools Forum to agree up to 0.5% of their Schools Block (circa £0.766m for 2019/20) to be transferred to another Block. The Forum has agreed a 0.5% transfer to the High Needs Block in 2019/20. However a recent announcement of additional high needs funding of £0.506m for 2018/19 and 2019/20 has led to a review of the School Block transfer for 2019/20. It is proposed to reduce the £0.766m agreed by the additional high needs allocation of £0.506m and a net figure of £0.260m be transferred. Allocations are also detailed in the table:

<table>
<thead>
<tr>
<th>DSG</th>
<th>2018/19 £m</th>
<th>2019/20 £m</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools Block</td>
<td>147.3</td>
<td>153.3</td>
<td>Includes £4.1m growth in pupil numbers and unit funding and funding for growing schools of £0.700m.</td>
</tr>
<tr>
<td>Central School Services</td>
<td>1.8</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Academy Recoupment</td>
<td>(90.4)</td>
<td>(104.5)</td>
<td>Increased number of academy conversions.</td>
</tr>
<tr>
<td><strong>Net Schools Block</strong></td>
<td><strong>58.7</strong></td>
<td><strong>50.6</strong></td>
<td></td>
</tr>
<tr>
<td>High Needs Block</td>
<td>36.7</td>
<td>38.6</td>
<td>Includes increase in HN NFF allocation (£0.730m), pupil numbers (£0.182m), import/export adjustment (£0.492m) and additional funding (£0.506m).</td>
</tr>
<tr>
<td>High Needs Recoupment</td>
<td>(5.0)</td>
<td>(5.3)</td>
<td></td>
</tr>
<tr>
<td><strong>Net High Needs</strong></td>
<td><strong>31.7</strong></td>
<td><strong>33.3</strong></td>
<td></td>
</tr>
<tr>
<td>Early Years Block</td>
<td>14.9</td>
<td>14.3</td>
<td>Funding based on January 2018 Early Years Census data.</td>
</tr>
<tr>
<td><strong>Total after Recoupment</strong></td>
<td><strong>105.3</strong></td>
<td><strong>98.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

11.31 The draft DSG budget for 2019/20 will be taken to the Schools Forum for approval on 12 February 2019 and the budget notified to schools at the end of February 2019.

11.32 Pupil Premium is an additional grant. The rates for 2019/20 have been maintained at their current rates i.e. £1,320 for Primary pupils and £935 for Secondary pupils eligible for Free School Meals (FSM). The rate for Pupil Premium plus for looked after children and children who have been adopted from care or who have left care under a special guardianship order or certain other orders will increase to £2,300 per pupil. There is also a service premium of £300 payable for children of members of the armed forces recorded as Ever 6 service children. The grant is paid quarterly in arrears with the first allocation in June 2019 which is then passed on to individual schools.
Other

11.33 The London Councils Grants Committee considered proposals for expenditure in 2019/20 at its meeting on 21 November 2018. The Leaders’ Committee agreed a budget at its meeting on 4 December 2018. The financial year 2019/20 represents the third year of the 4 year programme of commissions agreed by the Grants Committee under Section 48 of the Local Government Act 1985, as recommended by the Grants Committee and approved by the Leaders’ Committee in March 2016. The overall level of base borough contributions to the Scheme that is recommended for 2019/20 is £6.668m, which is the same as the current year. This will commit the Council to an annual contribution to London Councils of £0.154m which is already within the base budget for Customers, Commissioning and Governance.

12. Revenue Budget

Overall General Fund Budget Position 2019/20

12.1 The proposals set out in this report deliver a balanced budget for 2019/20 with net expenditure of £144.178m as set out in Appendix B.

Inflation and Pay

12.2 In previous years MTFPs have been provided for price inflation on expenditure items (excluding salaries) and 2% on income. Since these estimates were put forward the Office for National Statistics has released a further inflation report showing that CPI fell in November 18 to 2.3%, the lowest level seen since March 2017. It is too early to tell whether this is indicative of lower long term forecasts, but CPI has been falling over the past 12 months largely as a result of lower petrol prices and lower costs in recreational and cultural goods and services.

12.3 Inflation requirements across the Council have been reassessed across most areas (excluding salaries) bearing in mind the potential for inflation in 2019/20 to be lower than has been seen in 2018/19. It is proposed that in detailed budgets some areas receive a lower level of inflation than originally assumed and that the funds released are used to help offset the overall budget gap and impact on reserves. Inflation therefore allocated to all travel and goods and services budgets is proposed to be set at 1% rather than 2% (for example; car allowances, travel expenses, office stationery and equipment). These areas should have seen low level reductions in spend over the past 8 years as staffing numbers across the Council has also reduced, meaning they are likely to be manageable with a 1% increase rather than 2%.

12.4 This proposal would not impact budgets for pay, income, premises costs, third party or contract costs which would be set as follows:

- income budgets uplift of 2.0%;
- pay inflation of 2.9% in 2019/20 and 2020/21, and;
- pay inflation of 2.0% in 2021/22 and 2022/23.

12.5 The above changes result in a net annual inflation provision of £4.278m in 2019/20 which reduces slightly in the 3 later years.
12.6 The National Employers for Local Government Service made a final pay offer covering the period 1 April 2018 to 31 March 2020. The pay offer for both 2018/19 and 2019/20 included higher increase to the lower pay points to close significant gap with National Living Wage and applies flat rate increase of 2.0% for those above a certain spinal point. The pay offer for 2019/20 increases the paybill by 2.9% as detailed above and was included in the plans in last year’s budget process. An additional £77k has been factored in during the 2019/20 process as a result of the detailed implications if implementing this change and associated grade and pay scale adjustments.

12.7 The voluntary London Living Wage (LLW) has recently been increased for 2018/19 by 3.4% to £10.55, and the Council has previously decided to adopt the LLW for employees and long-term agency staff. However, the changes to pay structures arising from the implementation of the People Plan already ensure that nearly all staff will be paid above this level. The rising LLW also has an effect on the contractually guaranteed unit costs for domiciliary care which is covered later in this section.

12.8 Under the Localism Act the Council is required to publish a pay policy statement annually. Council approved the existing pay policy statement in March 2018. The proposed revised policy is attached at Appendix D. This has been amended to reflect latest guidance and legislative requirements. Minor amendments and updates have been made to the Policy with confirmation that the Council has implemented IR35. It is recommended that the revised policy is approved for publication by Full Council on 25 February 2019 and will meet the Act’s requirement for 2019/20.

**Fees and Charges**

12.9 In relation to fees and charges on discretionary services the Council’s policy is to set these at a level to recover full cost of providing that service, except where there is an explicit decision to subsidise a service to achieve a specific policy objective. The justification for any subsidy should be kept under review in the light of changing circumstances and the achievement of outcomes. Where services are being provided on a commercial basis pricing will be based on market levels, which may result in surpluses subject to any legal constraints relating to the service. This approach may deliver additional income over and above the inflation assumptions detailed above and this would contribute towards meeting future savings targets.

**Growth/ Cost Pressures**

12.10 The Council’s budget continues to come under pressure from increased demand in key service areas, market forces and price increases, and new burdens from Government legislation. Whilst actions are always taken to try and minimise the impact of arising pressures, sometimes however provision still has to be made in the base budget in future years. Budget increases proposed due to growth and cost pressures for 2019/20 are £5.970m and are listed in detail in Appendix E.

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3 [https://www.livingwage.org.uk/calculation](https://www.livingwage.org.uk/calculation)
12.11 Material items of growth cost pressure above £0.250m are also listed below.

<table>
<thead>
<tr>
<th>Service Area / Growth Item</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults - domiciliary care pressures.</td>
<td>1.252</td>
</tr>
<tr>
<td>Leaving Care Service - base issue.</td>
<td>1.012</td>
</tr>
<tr>
<td>Contingency against increase in demand for care arising from demographic pressures, clients transitioning from Children's Social Care, or increases in the complexity of care needs.</td>
<td>1.000</td>
</tr>
<tr>
<td>Environmental Services Contract.</td>
<td>0.500</td>
</tr>
<tr>
<td>Rental income from commercial property holdings.</td>
<td>0.539</td>
</tr>
<tr>
<td>Leaving Care Service - increase in the number of Unaccompanied Asylum Seeking Children (UASC).</td>
<td>0.402</td>
</tr>
</tbody>
</table>

12.12 There are also growth items included in the £5.970m total which are investment led in order to improve services and to meet policy objectives. The key areas are -

- One off growth of £0.175m for two years in Commissioning for resources required to support development of new policy priorities in relation to Children's Commissioning: development of an Ambitious for Sutton's Children Strategy, support for Public Health to recommission Children's Community Health Services and delivery of commissioning elements of SEND WSOA following critical Ofsted.

- £36k has been built in the MTFP for necessary capacity to continue to deliver Emergency Planning, Business Continuity Management and Event Safety, whilst supporting the implementation of standardisation project plans and procedures.

- £50k has been built in the MTFP to support to all care leavers up to the age of 25. Other large growth items specifically for vulnerable persons are also mentioned in the table in paragraph 12.11 (domiciliary care pressures, leaving care and UASC).

Risks

12.13 The successful identification and management of risks is a key element in business and financial planning and in the delivery of those plans. This is done through the Risk Management Strategy, the Corporate Risk Register and Directorate Risk Registers. These are reviewed regularly as part of the Council’s financial and performance management framework, with the Corporate Risk Register reviewed quarterly by Strategy and Resources Committee. The consideration of key risks through the commissioning and financial planning process and the level of reserves are an important part of determining how well placed the Council is in being able to deal with those risks. The forward plan continues to show a very challenging position for 2019/20 and later years.
The principal financial risks are set out below:

- **Revenue grant funding.** Government has provisionally confirmed allocations within the final year of the 4 year LGFS with little change. Funding for 2020/21 and beyond, with fair funding being reviewed, devolution of Business Rates, the BCF period ending, and no iBCF funding confirmed, creates considerable uncertainty in the medium term.

- Part of Sutton’s share of the London Business Rates Pool is proposed to be used to close the gap on the capital programme. Also, additional parts of this Pool, plus HRA capital receipts, and some borrowing, will be used to create a £5m regeneration/land assembly fund. This borrowing is likely to cost approx £50k per annum and would need to be met from within the existing budget for capital financing costs alongside any other in year external borrowing requirements.

- **Deliverability risks exist for the People Directorate savings.** Adults and Children services have a very large number of statutory services. Sutton Council (in common with other councils) have protected these budgets where possible and spends a higher proportion of the total budget in these services. In addition to that, demand increases in both the volume and complexity of people’s needs (population growth, more children surviving into adulthood with increasingly high levels of need, people living longer with higher levels of need, etc) make more risky to achieve cashable savings from the various transformation programmes in the OBCR process. There is also reducing scope for further efficiency savings.

- **Adult social care.** Continuing demographic and cost pressures arising from market changes, Government policy and the need to continue to support the health system. The estimated effect increases as a result of a retendering exercise of 2 contracts covering 70% of all the commissioned domiciliary care have been included in the growth section, however, at the time of writing the report only one of the recommissioned contracts had been confirmed, the assumption being that the other one will be achieved at a similar rate but a risk exists that, to secure a final rate, the Council would have to pay a higher rate depending on market conditions. There are also demographic pressures as a result of higher number of clients we provide care for and higher number of hours per client. The percentage increases year on year are difficult to predict, based on past trends and the current increase in 2018/19, it is assumed that an increase of around 8% of commissioned hours will materialise in 2019/20. This figure has fluctuated in the past so a risk exists that the number of hours commissioned next year will be higher.

- **Homelessness Reduction Act.** As described earlier in this report a significant increase in locally funded resources was required to meet the new duties set out in the Act. The housing market continues to be pressurised and the supply of appropriate and affordable accommodation is a risk to the budget in future years. The roll out of Universal Credit and government limits on local housing allowance will add further pressure.

- **There is a risk of increased volume of UASC.** from 1 November 2018. The broadening of the allocation criteria of the Pan London Protocol has accelerated the volume of disparity with the immediate risk that the remaining authorities will reach thresholds very soon resulting in the protocol coming to a standstill. At present there is not enough detail to quantify this issue to include as a cost pressure, therefore it remains listed as a risk at this time. This risk can be material, at the moment, and based on 32 clients, the gross costs are £2m, the income the Council receives from the Home Office is £1m, therefore leaving an approximate net cost to the Council of £1m.
● **SEND costs including transport.** Numbers of children have continued to increase in recent times and whilst mitigation is planned there are risks that the revised policies and strategies may not fully deliver the estimated results. Since the introduction of the Children and Families Act 2014 there has been a 35% increase nationally in the number of Education Health and Care (EHC) plans as compared with a 1% increase in the eligible child population. In September 2017, Sutton had 1,561 EHC plans and we now have 1,658 (latest available figures). Recent research show that 88% of London Boroughs are expecting a deficit on the DSG High Needs Block this year with 100% expected to be in deficit the following year. Significant work is being done to try to manage this additional demand and rising costs, but this is not sustainable going forward and is rapidly creating a financial crisis in some councils. The recent Government announcement of additional high needs funding (for Sutton this represents £0.506m for 2018/19 and 2019/20) does not go far enough to provide a sustainable long-term level of funding and there is a risk that, in common with many councils, Sutton will run into a deficit over the next few years. The Society of London Treasurers and the Society of County Councils have been lobbying Government for additional funding in a recent letter to the Secretary of State for Education.

● **Brexit** continues to be one of the biggest concerns for the national economy as well as for local authorities. The following aspects posing uncertainty and risk:

- the national funding gap could increase whilst the exit deal for the UK is being discussed;
- recession or further economical downturn risk due to the weakening pound, also affecting predictability of inflation levels in 2019;
- impact on both the local government workforce and the wider national workforce i.e construction, tourism and social care providers vulnerable to reductions in the supply of labour from the EU which in turn could see cost increases, and;
- decision making and advisory roles continuing, and ensuring local communities and local governments can stay involved.

**Savings**

12.15  Existing savings already built into the current MTFP from the previous years budget setting process total £7.027m for 2019/20 and £2.321m for 2020/21.

12.16  New and adjusted proposed savings from the current year’s budget setting process total £1.766m between 2019/20 - 2022/23. These savings are listed in detail in Appendix F and also summarised below.

<table>
<thead>
<tr>
<th>Directorate</th>
<th>2019/20 £m</th>
<th>2020/21 £m</th>
<th>2021/22 £m</th>
<th>2022/23 £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executives</td>
<td>0.173</td>
<td>0.108</td>
<td>0.000</td>
<td>0.000</td>
<td>0.281</td>
</tr>
<tr>
<td>EHR</td>
<td>0.000</td>
<td>0.060</td>
<td>0.000</td>
<td>0.000</td>
<td>0.060</td>
</tr>
<tr>
<td>People</td>
<td>(1.454)</td>
<td>0.902</td>
<td>0.910</td>
<td>0.000</td>
<td>0.358</td>
</tr>
<tr>
<td>Resources</td>
<td>0.662</td>
<td>0.155</td>
<td>0.250</td>
<td>0.000</td>
<td>1.067</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(0.619)</td>
<td>1.225</td>
<td>1.160</td>
<td>0.000</td>
<td>1.766</td>
</tr>
</tbody>
</table>
12.17 Whilst some savings in Peoples Directorate have been reprofiled, overall the amount of savings anticipated has increased. The change is mainly due to reprofiling of childrens savings in line with the latest detailed implementation plan review of the children’s social care MTFP savings.

12.18 Further work is continuing to be driven forward using the Outcomes Based Commissioning review process across the Council to deliver further savings options early in the new financial year and over the planning period. Savings proposals will need further development and consultation before implementation. In particular there is a significant budget gap in 2020/21 so early planning for savings options will be vital.

**Public Health spending**

12.19 Public Health activity is currently funded by a ring-fenced grant. Government has announced its intention to reduce the funding year on year until 2019/20. The grant allocation for 2019/20 is £9.555m, a reduction of £0.259m (2.6%) compared to 2018/19. The Council's intention is to contain expenditure on Public Health within the available grant funding. In order to achieve this a review of the commitments against the available funding has been carried out to identify opportunities for savings.

12.20 Baseline commitments against the Public Health budget for 2019/20 are shown in the table below.

<table>
<thead>
<tr>
<th>Baseline Public Health spending commitments</th>
<th>2019/20 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substance Misuse Services</td>
<td>2.043</td>
</tr>
<tr>
<td>Pregnancy to 19 years Child Health Services</td>
<td>3.680</td>
</tr>
<tr>
<td>Mental Health, Health checks and Integration</td>
<td>0.297</td>
</tr>
<tr>
<td>Sexual Health</td>
<td>2.043</td>
</tr>
<tr>
<td>Children’s early intervention</td>
<td>0.500</td>
</tr>
<tr>
<td>Health Protection</td>
<td>0.183</td>
</tr>
<tr>
<td>Staffing and Corporate costs</td>
<td>0.809</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.555</strong></td>
</tr>
</tbody>
</table>

12.21 In 2019/20, £0.259m of savings are required to match the grant reduction. Public Health is on target to make the savings required through commissioning savings with the substance misuse provider and work with the pan-London Sexual Health Network, and have identified £70k of savings relating to these contracts in 2019/20. Additional opportunities around children community services and the partnership work with Health partners have been identified and will be explored in 2019/20 with the aim to make further efficiencies. A further saving of £0.120m in relation to the transfer back to Sutton of the Children’s Communities Team from the Royal Marsden is offset with staffing growth of the same value in 2019/20. It is currently unknown whether the existing ring-fence arrangement will still be in place in 2020/21 or if it will be removed, but current financial plans assume that the overall level of funding for Public Health in 2020/21 will be at the same level as for 2019/20.
Levies

12.22 The Environment Agency, Lee Valley Regional Park Authority and the London Pensions Funds Authority raise levies on the Council. The levies are apportioned between relevant boroughs according to the council tax base of each council. The estimates currently provide for an increase of 2% on 2018/19 levels on all 3 levies as the actual levy amounts will not be communicated until late February 2019.

<table>
<thead>
<tr>
<th>Levying Bodies</th>
<th>Levy 2018/19 £m</th>
<th>Estimated Levy 2019/20 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment Agency</td>
<td>0.165</td>
<td>0.168</td>
</tr>
<tr>
<td>Lee Valley Regional Park Authority</td>
<td>0.176</td>
<td>0.179</td>
</tr>
<tr>
<td>London Pensions Fund Authority</td>
<td>0.255</td>
<td>0.260</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.596</strong></td>
<td><strong>0.607</strong></td>
</tr>
</tbody>
</table>

Use of Reserves and Reserve Balances

12.23 As part of previously approved plans £2.0m of reserves is being used to support the Council’s funding gap. A further £1.089m is proposed to be used in 2019/20 in order to fully balance the budget (as detailed in Appendices B and C).

12.24 Councils are required to agree a balanced budget each year whilst still maintaining prudent level of balances that provides a reserve against possible eventualities and risks that gives assurance that the future finances of the Council remain on a sound footing. The existing Council 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. The Council’s external auditors Grant Thornton support this policy.

12.25 The level of General Fund balances are forecast to remain at a reasonably prudent level over the planning period to the end of 2022/23 at £7.284m, representing 5.04% of the projected net revenue budget of that year.

<table>
<thead>
<tr>
<th></th>
<th>Actual 31 March 2018 £m</th>
<th>Estimated 31 March 2019 £m</th>
<th>Estimated 31 March 2020 £m</th>
<th>Estimated 31 March 2021 £m</th>
<th>Estimated 31 March 2022 £m</th>
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<tr>
<td>General Fund balance</td>
<td>9.075</td>
<td>7.284</td>
<td>7.284</td>
<td>7.284</td>
<td>7.284</td>
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</table>

12.26 Earmarked reserves not shown above include the Insurance Fund, the redundancy reserve, the treasury management and capital financing reserve and other reserves to fund specific investments and planned expenditure in the future. These are detailed in the Council’s Statement of Accounts each year. Notable earmarked reserve utilisations are:
The **Smarter Council Programme** is the Council’s mechanism for delivering savings and service transformation and since initiation has been funded from reserves. It is expected that the programme will be completed in 2019/20 and £0.450m per year for 2018/19 and 2019/20 is currently allocated from reserves. In 2020/21 after completion this reserve will be drawn down to nil.

As part of the 2016/17 LGFS the Council was awarded **transitional funding** to ease the pressure linked to the loss of funding awarded in the 4 year deal. This transitional funding was £2.676m in total (split payments in 2016/17 and 2017/18). The table below provides detail on how the funding has been used in the 2 previous financial years, and also predicted usage as at February 2019, for 2018/19 and 2019/20 (currently with a small excess of £34k).

<table>
<thead>
<tr>
<th>Transition Grant Allocations</th>
<th>Actual allocation</th>
<th>Estimated allocation</th>
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</thead>
<tbody>
<tr>
<td>Adult social care review</td>
<td>£0.150</td>
<td>£0.000</td>
</tr>
<tr>
<td>Adult and children social care transformation - implementation</td>
<td>£0.130</td>
<td>£0.370</td>
</tr>
<tr>
<td>Transforming targeted youth services</td>
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<tr>
<td>Children’s safeguarding review</td>
<td>£0.114</td>
<td>£0.000</td>
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<tr>
<td>Capacity to support health and social care integration</td>
<td>£0.070</td>
<td>£0.000</td>
</tr>
<tr>
<td>Revised approach to managing apprenticeships</td>
<td>£0.063</td>
<td>£0.117</td>
</tr>
<tr>
<td>Tackling domestic violence</td>
<td>£0.032</td>
<td>£1.218</td>
</tr>
<tr>
<td>L&amp;D to support new practice model in children’s safeguarding</td>
<td>£0.000</td>
<td>£0.175</td>
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<tr>
<td>Invest in improvements following the SEND Ofsted inspection</td>
<td>£0.000</td>
<td>£0.150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£0.680</strong></td>
<td><strong>£2.030</strong></td>
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**Council Tax**

12.27 As stated previously, the Council has utilised the flexibility of the Adult Social Care Precept in previous years since its introduction in 2016/17. Taking up the precept has helped to partly mitigate the cost pressures faced by the Council on adult social care, including costs arising from changes introduced in the Care Act and other government policy changes.

12.28 It is proposed in this report to recommend to Full Council to increase the Band D Council Tax in 2019/20 by 2.00% (£26.17 per annum) for the Adult Social Care Social Precept and by a further 2.99% (£39.12 per annum) for general purposes. This will result in a Band D Council Tax of £1,373.81, an increase of £65.29 and 4.99% equivalent to £1.26 a week.
12.29 The rationale for applying the 2.99% general increase is that the overall financial position faced by the Council means that every option to reduce the funding gap needs to be carefully considered. A council tax increase shares the burden of addressing the funding gap across all Council Tax payers whereas service reductions affect only users of the service. The Council will still have to face further difficult choices in terms of reducing services in the future. This 2.99% increase will help to protect key services that have a significant effect on people’s lives, for example, effective prevention and early intervention that reduce the likelihood of vulnerable individuals moving into residential care.

12.30 The proposals for council tax will yield an annual sum of £1.917m from the Adult Social Care Precept and £2.868m from the general increase. The MTFP does not assume increases in the general element for 2020/21 onwards at present, but this will need to be kept under review.

**Four Year Forecast**

12.31 The medium term forecast in Appendices B and C shows that on current assumptions additional savings of £12.089m in 2020/21, £5.152m in 2021/22 and a further £4.706m in 2022/23 will be required in order to achieve a balanced budget in those years.

12.32 As stated earlier in the report, there is considerable uncertainty in future funding after 2019/20 as the government’s four year settlement ends. The high budget gap arises in 2020/21 partly because of additional funding provided by government in 2019/20 that is one-off, use of reserves and the collection fund surplus which are also one-off in nature and the structural deficit from rising costs and reducing Government support. The timetable for work to identify savings for 2020/21 will need to begin early in 2019, both through OBCR and the Smarter Council approach, in order to be in a good position to balance the budget for the following year, particularly given the uncertainty in future years with business rates retention, Fair Funding review and the Government Spending Review all due in late 2019.

12.33 If Council Tax was increased by 1% each year then that would raise approximately £0.95m a year. The Council Tax assumption will be reviewed annually by Members as part of future years’ budget planning, based on circumstances at the time.

13. **Housing Revenue Account**

13.1 Local authorities that own a housing stock are required to account for their management and maintenance separately from the General Fund in a ring-fenced Housing Revenue Account (HRA). As with the General Fund, HRA budget estimates are set annually, but for the purposes of medium term planning a 3 year projection has been developed with provisional figures for 2020/21 and 2021/22. The Council has approximately 6,000 properties in its stock. A 30 year business plan is also produced and reviewed annually.

13.2 HRA income and expenditure budget estimates for 2019/20 are set out in Appendix G1 for approval. These figures are extracted from the HRA business plan.

13.3 The HRA business plan contains a detailed schedule of factors applied to budgets covering inflation (based on CPI), rent growth adjustments, inflation on capital works, interest rates and variations on stock number.
The draft 2019/20 HRA estimates are based on individual dwelling rents reducing by a further 1% in April 2019, as required by Government who have required this since 2016/17. This will be the final year of the reduction. From 2020/21 authorities will be able to increase rents by CPI+1%.

In 2019/20 there are 53 rent charging weeks due to their being 53 Mondays. Universal credit allowances will remain calculated on a 52 week basis paid over in twelve equal monthly installments. This will result in the 53rd weeks rental charge not being covered by Universal credit. This will mean tenants have to pay this additional week rent charge without a corresponding increase in Universal Credit, which will cause difficulties for some and may lead to an increase in arrears as a result. This will impact on approximately 1,500 tenants and the average weekly rent is £104.55.

Brexit is expected to affect the cost of materials relating to the maintenance and construction of properties. As part of the current review of the HRA business plan SHP will be looking to increase the inflation factors used to incorporate the increase in costs.

Appendix G2 shows the expected year on year HRA budget changes to 2021/22. Notably these include the impact of the mandatory 1% reduction in rents in 2019/20 only, the effect of stock losses due to right to buy sales and an increase in the level of revenue funding that is being used to support the property acquisition programme within the HRA capital programme.

There is a significant reduction in revenue contribution to capital costs. In 2018/19 there was a one off redirection of resource into the new builds programme of £3.744m and this is not required going forwards, meaning the budget can be reduced in 2019/20.

Appendix G2 shows a £0.295m reduction from 2018/19 in income for service charges and non dwelling rents. This is due to the increase in charges to leaseholders for the remedical fire works during 2018/19 that were of a one off nature and will therefore not be present in 2019/20 resulting in a reduction of income.

The HRA balance at the end of 2018/19 at £2.952m is forecast to be £0.796m higher than originally planned. This is mainly because of a increased rental income from acquired properties and leaseholder recharges. In order to maintain HRA balances at a prudent level, judged to be a minimum 5% of gross income, and with the government imposed rent reductions, it has been necessary to identify savings in HRA expenditure for future years. Savings proposed are shown at Appendix G3.

The estimates provide for an end of year balance in 2019/20 of £5.768m amounting to 16% of turnover, exceeding the minimum requirement by £3.940m. This enables the authority to accumulate sufficient reserves to repay the self financing debt in line with the original intentions.

Pension Fund

The MTFP includes provision for the increase in employer contributions by £0.297m in 2019/20 as per the outcomes from the last triennial valuation. Beyond that, total employer contributions from the Council into the fund are currently assumed to stay the same pending the outcome of the next triennial valuation.
14.2 At the last triennial valuation as at 31 March 2016, the funding level was assessed as 80%, a significant increase from the previous 67% in 2013. The next full actuarial valuation is due to be carried out as at 31 March 2019. The outcome of this review will help to set minimum employer contributions into the fund for 2020/21, 2021/22 and 2022/23. An interim valuation undertaken as at 31 March 2018 suggests that the funding level has since improved, however, this doesn’t necessarily mean that the position will be the same for 2019. If it is improved further then this will assist in the long term recovery plan of the deficit, but would be unlikely to have any short term benefit for employers.

15. Members’ Allowances

15.1 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, taking into account the advice of the Independent Panel on the Remuneration of Councillors in London which is organised by London Councils on behalf of all London authorities and is required to review members’ allowances every 4 years as a minimum. The panel published their most recent report in January 2018, which recognises the pressures within local government and the difficult job that councillors are doing, but doesn’t recommend any structural changes to the scheme and continues to recommend provision for annual adjustments in accordance with the annual local Government pay settlement.

15.2 The members scheme in Sutton currently pays slightly below the Panel’s recommendations. This has been reviewed and it is proposed this remains unchanged for 2019/20 subject to the annual local government pay settlement (which would take effect from 1 April 2019). The full scheme is attached at Appendix H.


16.1 Appendix I sets out the Council’s Capital Strategy including the recommended detailed capital programme for capital investment in the borough the period 2019/20 to 2022/23 of some £163.362m. The capital strategy is a new requirement under the updated Prudential Code and Treasury Management Code of Practice (both issued in December 2017).

16.2 The programme is being funded by a mixture of capital receipts from the sale of surplus sites, grant funding and prudential borrowing. In a continuation of the agreed current policy it is proposed that any new prudential borrowing for the next 4 years agreed through the capital programme review is only on an ‘invest to save’ basis whereby either revenue savings or additional income can pay for the financing costs, unless specifically and formally agreed by Strategy and Resources Committee.

16.3 The programme reflects the Council’s priorities and objectives with major investment in housing and school places as well as rolling programmes to improve highways, pavements and street lighting. The Council is also investing in measures to prevent encampments and fly tipping, improvement and expansion of existing travellers sites, parks improvements and continuing a programme to develop the capability to deliver services digitally with expected consequent improvements in customer service and efficiency.
16.4 The assumed level of **prudential borrowing** to finance the capital programme is £58.259m, as detailed in Appendix I. This includes General Fund prudential borrowing of £18.057m, £11.557m of investment in commercial property in line with the Investment Property Portfolio approach agreed by Members in 2015 and and £6.5m for Temporary Accommodation Modular Build borrowing. The financing costs for borrowing to fund the purchase of commercial properties will be funded through additional rental income. Total borrowing also includes £40.202m undertaken for the HRA for the new build programme (Phase one and two) and property acquisitions for temporary accommodation. Allowance for the financing costs for all borrowing approvals has been made in revenue estimates for 2019/20.

16.5 The outline **HRA capital programme** has been drafted on the basis of the existing Housing Revenue Account 30 year business plan. This expenditure over the 4 years (2019/20 to 2022/23) is financed by HRA borrowing of £40.202m, right to buy receipts of £11.827m, Major Repairs Reserve funding of £28.674m, Leaseholders Contributions £0.993m, Grant £6.5m and revenue contributions of £1.180m. The Housing capital budget includes provision for the completion of the initial phase for the programme of new council house building and the start of second phase of new build partially funded by GLA grant together with borrowing and right to buy receipts totalling £25.126m. The programme also includes a programme of works to council housing stock of £30.847m. Finally, the Council plans to continue to undertake further residential property acquisitions to be used for temporary accommodation totalling £33.403m.

16.6 The outline **education capital programme** is shown within the capital strategy. This includes capital provision for works to maintain school buildings funded by the capital maintenance grant and plans for school expansions. All medium term planned primary expansions are now complete except for the expansion at Hackbridge Primary School which has been delayed. The delivery of expansion of secondary and further SEND provision is now largely being achieved through free school provision at the new Harris Academy at Belmont and plans for ‘Free School 1’ and the proposed ‘Free School 2’ at Rosehill. Funding for school expansions is largely through the basic need grant allocations from the Department for Education (DfE). The Council’s final Basic Need allocation of £1.698m is due to be received in 2019/20. The allocation for 2020/21 has been confirmed as zero. This will result in a balance of unallocated Basic Need funding of £4.6m available to fund any identified pressures.

17. **Treasury Management Strategy**

17.1 The proposed Treasury Management Strategy for 2019/20 is attached at Appendix J. This includes the annual investment strategy for surplus cash and borrowing including a policy statement on the minimum revenue provision required to be set aside to repay debt. Under the prudential code for capital finance, the Council can take a local decision on the level of borrowing that it considers appropriate to support new capital investment. In taking such a decision the Council has to determine that any such borrowing is affordable (by reference to the impact on the revenue budget), prudent and sustainable.

17.2 In order to support any decision on prudential borrowing, local authorities are required to set a number of prudential indicators before the beginning of the financial year. These range from the setting of local limits on prudential borrowing to those that relate to treasury management activities. Monitoring against the indicators will be undertaken throughout the financial year and quarterly reports submitted to the Audit and Governance Committee. The indicators may be revised, following approval by Full Council, at any time during the year.
18. **Additional detail on Council Tax and Business Rates**

18.1 The provisional Business Rate multipliers for 2019/20 are shown below:

- Small Business Multiplier – 49.1p per £ (48.0p in 2018/19).
- Standard Multiplier – 50.4p per £ (49.3p in 2018/19).

18.2 The final policies for the Crossrail Business Rates Supplement in 2019/20 are expected to be communicated in late January 2019. It is not anticipated however that the revised £70,000 rateable value threshold introduced in April 2017 will change. Further information will be provided in the final budget report when received.

**Tax Base**

18.3 The Council Tax Base calculation takes account of the Council Tax Reduction (CTR) scheme which treats Council Tax support as a discount on the tax bill. The CTR scheme remains unchanged for 2019/20 as agreed by Housing Economy and Business Committee on 19 June 2018. The Council Tax base has been set by the Strategic Director – Resources, under delegated authority, on 20 December 2018 at 73,245.7 (Band D equivalents). This compares to 72,737.1 in 2018/19, an increase of 0.7%.

18.4 In order to meet the Council Tax Requirement with a Tax Base of 73,245.7 (Band D equivalents), the Sutton Band D Council Tax for 2019/20 is proposed at £1,373.81, an increase of £65.29 (4.99%) compared to 2017/18 (£1,308.52). The increase comprises £26.17 (2%) for the Adult Social Care Precept and £39.12 (2.99%) for general purposes. This amounts to £65.29 for the Sutton element in total and is equivalent to £1.26 a week for a Band D property.

**Greater London Authority Precept**

18.5 The GLA precept for 2018/19 was £294.23 at Band D. In the draft consolidated budget published for consultation purposes on 20 December 2018 the Mayor of London proposed to increase the precept by £26.28 (8.9%) to £320.51 for 2019/20. This equates to 51p per week. The Mayor states that this increase will provide additional resources to support a number of crime fighting and crime prevention measures. This includes funding new officers, specialist investigators to disrupt gang violence and cutting-edge equipment for officers on the frontline, such as digital fingerprinting, rapid drug testing, technology to help with digital investigations, and advanced techniques to combat child sexual exploitation online. There is also a modest increase that will be allocated directly to the London Fire Brigade. This provisional figure has been taken into account in the proposals set out in this report. The draft budget is due to be considered by the GLA on 25 February 2019.

18.6 The proposed GLA precept means that the total Band D Council Tax (including Sutton’s own requirement and the GLA precept) for 2019/20 will be £1,694.32. This compares with £1,602.75 in 2018/19, an increase of £91.57 (5.7%) or £1.76 a week for a Band D property.
Council Tax Resolution

18.7 The budget requirement for 2019/20 inclusive of the growth and savings proposals and a draft of the formal Council Tax resolution is at Appendix K. This resolution is based on a Council Tax increase of 2% for the social care precept and a further 2.99% for general purposes. It takes into account the provisional precept notification from the GLA. The wording of the resolution is based on CIPFA Guidance and reflects amendments to the Local Government Finance Act 1992 enacted in the Localism Act 2011 and the Local Government Finance Act 2012. The resolution will be finalised and revised as necessary before consideration by Full Council on 25 February 2018.

19. Stakeholder Engagement

19.1 Engagement with Sutton’s residents forms an important part of the Council’s budget setting and commissioning process. This is particularly important given the changes to services being proposed or implemented as part of the Council’s change programmes.

19.2 This year the Council continued with its Sutton’s Future engagement approach. The first phase from 2014-16 engaged residents on how we should save make the savings required of us. The second and current phase, seeks input on how we should save £18m by 2019/20.

19.3 Engagement was undertaken over 2 weeks in February/March 2018 in every ward of the borough. The aim was to target areas of high footfall and to try to engage the widest range of people. Follow up engagement was also done over the summer at all libraries.

19.4 The aim of the engagement was to inform residents of the issues face the council and what’s been achieved so far. Officers listened to both positive and negative feedback and asked people to complete the survey to register these views and also on which services are important, voluntary work.

19.5 In addition during 2018/19 the Council’s [consultation hub](#) has hosted a number of consultations in the following areas:

- Sutton Parks and Open Spaces Strategy
- Sutton’s Future
- Council Tax Reduction Scheme
- Sustainability Strategy
- Parking Strategy
- Beddington Park Enforcement Trial
- Sutton’s Statement of Licensing Policy Consultation
- Local Implementation Plan Public Consultation
- Air Quality Action Plan
- Sutton Joint Carers Strategy & Delivery Plan
- Sutton Online Residents’ Panel Recruitment
- Proposed Highway Improvements
- Early Help Strategy
- National Funding Formula
- Spencer Nursery School

19.6 In total there were over 8,800 responses to consultations carried out during 2018/19.
20. Impacts and Implications

Financial

20.1 Financial implications are covered in the report.

Legal

20.2 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.

20.3 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.

20.4 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.

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

20.6 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.
21. Appendices and Background Documents

<table>
<thead>
<tr>
<th>Appendix letter</th>
<th>Title</th>
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<tbody>
<tr>
<td>A</td>
<td>Outcomes Based Commissioning Plan 2019/20</td>
</tr>
<tr>
<td>B</td>
<td>Gross Budget Trail</td>
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<tr>
<td>C</td>
<td>Resource Shortfall Tracker</td>
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<tr>
<td>D</td>
<td>Pay Policy Statement 2019/20</td>
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<td>G</td>
<td>G1 - HRA Estimates 2019/20</td>
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<td>Members’ Allowances Scheme 2019/20</td>
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<td>I1 - Capital Strategy</td>
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<td>I4 - ECOB Programme</td>
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<td>J</td>
<td>Treasury Management Strategy 2019/20</td>
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<td>Council Tax Resolution 2019/20</td>
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**Background documents**

Strategy and Resources Committee of 16th July 2018 - Commissioning and Financial Planning 19/20 to 21/22 Report (Item 10)
### Audit Trail

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<th>Date: 30 January 2019</th>
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### Consultation with other officers

| Finance       | Yes               | Victoria Goddard  |
|               |                   | Alicia Attoe      |
| Legal         | Yes               | Fiona Thomsen     |
|               |                   | Tracy Swan        |
| Equality Impact Assessment required? | No | N/A |