

COUNCIL	DATE 27 February 2019	ITEM NO 12
TITLE Budget and Council Tax Setting 2019/20	WARD (S) All	
CHIEF OFFICER Chief Executive	CABINET MEMBER(S) Finance and Resources	
DECISION CLASSIFICATION -	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes	

I Decisions required

Council is requested to:

- I.1 Note the authority's Medium Term Financial Strategy (MTFS) is balanced through to 2019/20 and acknowledge that significant pressures are being experienced across services (Section 5)
- I.2 Note that, subject to the relevant decision making processes, the Council will extend its participation in the London Business Rates Pilot Pooling Arrangements by one year, with the government offering a reduced incentive of 75% retention (Section 6)
- I.3 Agree that the Council's budget for 2019/20 as set out in the report be approved.
- I.4 Agree a council tax rise of 2.99% in support of service delivery pressures, at a cost of 65p per week at Band D (Section 8)
- I.5 Note that the GLA precept for 2019/20 is due to increase by £26.28 per year at Band D, a rise of 8.9% (Section 8)
- I.6 Agree the addition to the council tax in 2019/20 on the taxpayers in premises surrounding the garden in Gloucester Circus SE10 (Section 8)
- I.7 Approve the overall council tax level and the relevant statutory calculations and resolutions (Section 8 and Appendix B)
- I.8 Agree the schools funding formula for use in 2019/20 as presented to Schools Forum on 16 January 2019 (Section 9)

- 1.9 Note the level of Dedicated Schools Grant for Education purposes and that the budget proposals for 2019/20 were agreed by the Schools Forum on 16 January 2019 (Section 9)
- 1.10 Note that the Prudential Code requires the setting and revision of the indicators to be carried out by the body that takes decisions in respect of the Borough's budget
- 1.11 Agree the Prudential Indicators (Section 10 and Appendix C) for the period 2017/18 – 2021/22
- 1.12 Agree that the indicators, other than the authorised borrowing limit, which must be set and revised by Council, are initially set each year by the authority as part of its budget setting process and are monitored and revised as appropriate during the year by Cabinet
- 1.13 Agree the arrangements for determining the Minimum Revenue Provision (Section 10 / Appendix D) from 2019/20 onwards
- 1.14 Note the comments on financial standing, future risk and robustness of the budget process, including those specifically relating to the risk posed by the Fair Funding Review (Section 11 / Appendix E).
- 1.15 Note the comments of the Overview and Scrutiny Committee on 19 February 2019 (to follow).

2 **Links to the Royal Greenwich Strategy**

- 2.1 This report relates to the delivery of all of the high level objectives contained within the Royal Greenwich Strategy.

Budget Principles

- 2.2 The authority's budget principles (Table 1) for the current Medium Term Financial Strategy reflected that the Council had moved into a period of utilising financial capacity to meet the requirements under the government's current funding regime, which places a premium on business and housing growth.

Table 1 – Budget Principles

Principle	Description
Maintaining the highest possible quality and efficient services commensurate with the cuts imposed by Central Government	<i>this underpins a commitment to continuing to provide value for money services and seeking to keep increases in council tax to a minimum</i>
Recognition of front line service pressures	<i>this recognises the prioritisation of key services, in particular those provided to children and vulnerable adults, as well as those that underpin the quality of life in the public realm and support reductions in violent crime</i>
Maintenance of reserves at a prudent level	<i>this allows the Council to maintain and deliver service stability, longer term plans and respond to a range of financial risks and uncertainties, thus supporting the Council's approach to developing its financial standing whilst delivering major capital investment</i>
Investing in and delivering the Growth Strategy	<i>this means maximising, as far as possible, investment and delivery of the Growth Strategy and prioritising interventions which will have the greatest impact on growing the local economy with the consequent benefit for jobs, housing (including New Homes Bonus) and business rate growth</i>
Security of the Council's robust financial standing	<i>the Council shall maintain sufficient financial standing to withstand turbulence and financial risk and to permit underwriting of capital investment programmes</i>

3 Purpose of Report and Executive Summary

- 3.1 The report enables members to determine the budget for the authority for 2019/20, a transitional budget year, at the end of the current MTFS and in doing so, consider spending requirements and how they are to be financed.
- 3.2 The report proposes a headline borough council tax rise of 2.99%.
- 3.3 The structure of this report is set out in Table 2.

Table 2 – Structure of the Report

Ref	Section
4	Introduction and Background
5	Revenue Pressures and Actions
6	Local Government Finance Settlement 2019/20
7	2019/20 Financial Position
8	Council Tax
9	Schools Related Funding
10	Prudential Indicators and Minimum Revenue Provision
11	Financial Standing, Future Risk and Robustness of the Budget Process
App A1	Council Tax levels 2018/19 (Band D – borough element)
App A2	Council Tax levels 2008/09 – 2018/19 (Band D – borough element)
App B	Statutory Calculations and Resolutions
App C	Prudential Code Indicators and Borrowing Limits for 2017/18 to 2021/22
App D	Minimum Revenue Provision
App E	Financial Standing and Risk
App F	Equalities Analysis

4 Introduction and Background

Previously agreed MTFs

- 4.1 In February 2016 the Council took decisions which delivered a balanced budget over the MTFs period and in the last three years has created further budget capacity of almost £21m, whilst maintaining that balanced approach (Table 3).

Table 3 – Previously agreed Investment Decisions

Decision	Total £m
Adult Social Care	6.200
Pay Inflation	4.350
Universal Services	3.400
Employers National Insurance	2.565
Childrens Services	1.360

HILLS	0.750
Homelessness	1.401
Apprenticeship Levy	0.400
Concessionary Fares Scheme	0.195
Emergency Planning (LA Gold)	0.015
Base Budget Investment by 2019/20	20.636

Previously generated Budget Efficiency Premia

- 4.2 A one-off Budget Efficiency Premium of £17.105m was generated at the outset of the MTFs and it was agreed to utilise this sum in support of a number of initiatives through to 2018/19. In 2017/18 Cabinet resolved to reallocate a forecast underspend from GLLP to recreate a resource for e-business support, following the success of its initial programme. Table 4 shows the initiatives and overall sums allocated.

Table 4 – Budget Efficiency Premium

Ref	Budget Efficiency Premium	Total
4.3-4.4	GLLP - Employment	6.300
4.5-4.6	E-Business Support	0.450
4.7-4.16	Anti-Poverty Contingency	2.250
4.17- 4.18	ESS	2.250
4.19- 4.20	VOCU	1.050
4.21- 4.22	Domestic Violence	0.600
4.23- 4.27	ACL	1.205
	Multi Year Schemes	14.105
	Tall Ships	2.000
	Workforce Strategy	1.000
	Total	17.105

GLLP - Employment

- 4.3 The primary aim of GLLP was to support those in poverty or at risk of falling into poverty by mitigating against the worst effects of government welfare

reforms by delivering 300 full time equivalent paid support work placements by 2019.

4.4 Key achievements for GLLP since its commencement are:

- out of 676 residents welcomed onto the scheme 69% have secured onward employment
- 174 residents have been affected by the benefit cap; 77% have gained onward employment
- 67% of residents previously unemployed for 5 years or more have gained onward employment
- 223 lone parents have joined the scheme and 66% have gained onward employment
- a total of 1,541 residents have been supported by the scheme

E-Business Support

4.5 The second phase of the Council's E-Business Support Programme (EB2) is being delivered by South East Enterprise who successfully delivered the first phase of the programme. The contract for EB2 commenced on 1 January 2018 and runs to 31 December 2020 with a total value of £444,500. MTFS budget allocated for this programme is required to support the programme for the duration of the contract. There is formal commitment to fund the e-Business Support Programme for GLLP from the MTFS allocation.

4.6 Key achievements in the first phase were:

- 700 SMEs able to embrace opportunities created by digital commerce
- £17m increased business turnover
- 1,000 jobs safeguarded
- 100 new jobs created in the borough.

Anti-Poverty Contingency

Discretionary Housing Payments

4.7 In 2017/18 £1.452m was paid out in DHPs with around £460k met from Welfare Reform contingency fund. Greenwich paid out the 4th highest percentage payments above the government funding level in England and Wales.

- 4.8 Such support has been vital in helping residents to maintain their tenancies or assist them in to work. Most payments were made to those affected by the “bedroom tax”, Benefit Cap or Local Housing Allowance freeze.
- 4.9 Up to the end of December, over £1m DHPs had been paid in 2018/19. The forecast draw on the anti poverty one off resource is estimated at £350k above the amount which has been grant funded by the government.

Universal Credit Support Framework

- 4.10 It was agreed that any underspends were rolled forward from previous years and has enabled the Council to set up the Universal Credit Support Framework, including the Universal Credit Support Team to support those vulnerable residents who may have difficulty claiming Universal Credit and maintaining their on-line “digital by default” account and personal budgeting and support. In October 2018, the DWP announced that the limited funding given to LA’s to provide digital and personal budgeting / support will instead be transferred to CAB to carry out this function from 1 April 2019. We have contacted our local CAB but as yet they do not yet know how they will be involved with the delivery of Universal Support.
- 4.11 Going forward, it is intended that the Universal Credit Support Team will continue to support residents in improving their financial resilience through proactive and holistic interventions. The team will also be working with residents where we have the information to indicate they are struggling financially, and support residents who require digital support to access RBG online forms and where possible link residents to appropriate digital skills training. This team will also be able closely support the Social Mobility Strategy particularly in relation to strands for Financial Resilience and Digital Inclusion. It remains our view that Local Authorities are better placed to provide this support. For example, we are intending to integrate Universal Support with several existing services, particularly Welfare Rights, to have a joined-up service, which cannot be replicated externally.
- 4.12 It is vital this support continues beyond March 2019, particularly bearing in mind that nearly 20,000 Greenwich residents will need to be migrated on to Universal Credit between July 2019 and 2023. The government have yet to finally agree the migration timetable.

Welfare Rights Project

- 4.13 Clients supported under this project were either referred directly from the Emergency Support Service, or contacted the Welfare Rights Service through the public advice line and had no income or benefits in payment. Three quarters (75%) of residents advised through the project had a disability or were experiencing ill health. Almost a third (29%) of residents advised through the project had dependent children.
- 4.14 Key achievements include 255 residents were advised achieving financial gains of £1.159m.

Welfare Reform Analysis – Low Income Tracker

- 4.15 The Low Income Family Tracker allows for in-depth analysis of the impact of a wide range of welfare reforms, both individually and cumulatively. The tool is supporting planned interventions on a range of initiatives: take-up work through Welfare Rights, targeted take up promotion for Free School Meals for households entitled yet not currently claiming, households likely to be migrated by Universal Credit, Public Health interventions linked to social isolation. Further interventions are being considered such as supporting self-employed households who may be negatively impacted by Universal Credit, and future take up campaigns for Healthy Start vouchers and the NHS free prescriptions low income scheme.
- 4.16 The tool is also supporting policy reviews such as for the Council Tax Support scheme, DHP scheme, and will be used with work associated with the Social Mobility strategy.

Emergency Support Scheme

- 4.17 ESS has continued to provide vital support for some of the Borough's most vulnerable residents.
- 4.18 Emergency support payments are the provision of money to help meet essential short-term needs in an emergency or after a disaster, such as a fire or flood. Community Support awards are usually the provision of basic household items, new white goods, beds/bedding and furniture, rent deposits, and rent in advance.

Violent and Organised Crime Unit (VOCU)

4.19 The allocation of £350k per annum contributes to 1 x Police Sergeant and 3 x Police Constables through an agreement under s92 of the Police Act 1996. The team leads on disruption and enforcement against borough gang activity, combatting violent crime and organised drug dealing. It also works closely with council services to support safeguarding and prevention for young people at high risk from gangs. It has also developed work recognised as national best practice to combat gangs' "county lines" operations, which involves recruitment and exploitation of children to operate drug supply lines in areas outside London. The £350k for 2018/19 is expected to be spent in full by the end of the financial year.

4.20 Key achievements:

- in 2016/17 the VOCU charged 120 individuals with gang related offences, 79 in 2017/18 and 25 between Apr-Jun 2018
- in 2016/17 the VOCU made 125 seizures of drugs, 61 in 2017/18 and 41 between Apr-Jun 2018.

Domestic Violence

4.21 An allocation of £200k per annum supports a team that works to target perpetrators of high risk domestic violence and abuse to maximise successful prosecution of offenders. It also works to protect the victims (including children in the families) and supports them through use of all available legal powers (both criminal and civil).

4.22 Key achievements:

- in 2016/17 the DVIT worked with 284 new victims (in addition to existing and on-going cases) and 124 new perpetrators.
- they worked with a further 298 victims and 205 perpetrators in 2017/18 and between April-June 2018 have worked with 48 new victims and 54 new perpetrators.

Adult and Community Learning

4.23 Funding was allocated to support Adult and Community Learning, contributing to staffing costs and overheads for class room facilities within the Eltham Centre, previously leased to LSEC. The MTFs contribution to ACL is key as the funders (ESFA) require management and administration costs to

take up no more than 20% of the total funding allocation. The Council's commitment to invest in ACL through the MTFS was noted by Ofsted in its 2017 inspection.

- 4.24 Funding has covered the rent and running costs for two floors of classrooms and a mezzanine office area within TEC previously occupied by Greenwich Community College. MTFS was used to upgrade the 1st floor classrooms to provide a high quality learning environment. This included alterations to toilet facilities, replacing defective furniture and flooring and installing ICT equipment to replace redundant equipment left by the college.
- 4.25 As a result of this investment, the classrooms are well used by all 11 ACL delivery providers ensuring that a good range of employability, vocational and general interest courses are delivered from TEC. Classrooms are hired out to non ACL training providers and for meetings, which produces a small income stream. In total over the 2017/18 academic year there were over 1,000 room bookings with on average 27 bookings per week. Over 100 different classes took place plus events such as Job Fairs.
- 4.26 Based on expenditure to date a balance of £536,000 remains in the MTFS. This could be retained to cover anticipated costs over the course of the 2018/19 academic year up to 31 July 2019. These include:
- contribution to salary costs for the ACL team, rent and running costs for TEC classrooms up to the end of the current 2018/19 academic year (i.e. up to 31st July 2019)
 - further investment to upgrade the second floor classrooms to bring these to the same standard as the first floor (e.g. new computers, audiovisual equipment, and smart boards to provide additional facilities for learning and supported job search.)
 - security improvements to restrict access for both floors
 - building maintenance work for mezzanine office to make this space usable.
- 4.27 If the underspend is not retained beyond March 2019, there will be an impact on ACL staffing and the ACL programme for the remainder of 2018/19 year, much of which is planned to be delivered from TEC. Although there is potential to consolidate ACL activity to the first floor classrooms, an income generating use would need to be identified to cover the rent and service charge of the remaining space.

Financial Performance

4.28 Spend to date on all of the above initiatives is shown in Table 5.

Table 5 – Financial Position Relating to the Budget Efficiency Premium

Budget Efficiency Premium	Total allocation £m	2016/ 17 £m	2017/ 18 £m	2018/ 19 £m	Forecast Over / (under) spend
GLLP - Employment	6.300	1.070	2.000	1.649	(1.581)
E-Business Support	0.450	0.000	0.000	0.450	-
Anti-Poverty Contingency	2.250	0.390	0.557	0.830	(0.473)
ESS	2.250	0.724	0.622	0.904	-
VOCU	1.050	0.352	0.347	0.351	-
Domestic Violence	0.600	0.192	0.200	0.208	-
ACL	1.205	0.000	0.188	0.481	(0.536)
Multi Year Schemes	14.105	2.728	3.914	4.873	(2.590)

*projected to end of March
2019

New Corporate Plan agreed

4.29 The previous one off programme was formulated under the strategic objectives of the council at the time. In October 2018, Cabinet agreed to a new of corporate objectives as follows:

- a Healthier Greenwich
- a Safer Greenwich
- a Great Place to Grow Up
- Delivering Homes through Economic Growth
- a Cleaner, Greener Greenwich
- Economic Prosperity for All
- a Great Place to Be
- a Strong, Vibrant and Well-Run Borough.

Exploitation & Serious Youth Violence Reduction Unit

4.30 Knife crime has devastating consequences for all our communities and in Greenwich it has gone up 27% in the last year. Young people are over represented in the borough's figures for those involved in knife crime –

about one third of suspects are 19 or younger, but only about one fifth of victims are 19 or younger.

- 4.31 In order to combat this, it is proposed to create an Exploitation & Serious Youth Violence Reduction Unit. Working with partners, the benefits of such are:
- identify children at risk
 - faster time response
 - better information sharpening
 - daily tasking equals responsiveness
 - better use of intelligence to drive preventative work
 - ensuring all issues are addressed
 - single point of contact
 - specialist workers
 - understanding the problem – overlap of risk factors, all dealt with in one unit
 - strengthen the wider partnership
 - systems approach – child, family, community
 - early identification and effective interventions
 - engagement with young people and the community
 - systems leadership and flexibility.
- 4.32 Plans are at a formative stage, but early indications are that additional posts valued at around £400k would be needed to provide a team comprising engagement workers, youth offending officers, specialist workers for young girls and analysts. Secondments from partners would also be sought e.g. probation. The authority would also bid for a number of police resources, for which MOPAC funding may be available. Depending upon the units location, further funding may be required for rent and / or modifications.
- 4.33 One off funding of £650k for one year could be provided to see the creation of this project and review it in a years time with a view to establishing longer term sustainable funding, once proof of concept and volume have been established.
- 4.34 The time limited funding for these projects has ended as we approach March 2019. As this phase of council initiatives concludes, it is time to consider what can be done going forward, commensurate with the funding available. This is considered further in Section 7.

5 Revenue Pressures and Actions

2018/19 Revenue Monitor

- 5.1 Some services within the Council are forecasting overspends due to demand and cost pressures. Management action is taking place to contain expenditure pressures within existing resources wherever possible, to ensure that the Medium Term Financial Strategy (MTFS) remains on track.
- 5.2 The monitoring report presented to Cabinet reported pressures of £12.9m at Month 8 in 2018/19, with a gross expenditure pressure of over £23m (Table 6).

Table 6 – General Fund Monitor 2018/19

Directorate £m	2018/19 Forecast Overspend / (Underspend)
Health & Adults	9.8
Children's Services	4.4
Community Engagement & Environment	3.3
Housing & Safer Communities	0.6
Finance	(0.4)
Regeneration Enterprise & Skills	2.5
Corporate - Treasury Management	(10.2)
Net Position	10.0
No Recourse to Public Funds	2.9
General Fund Pressures	12.9
HRA Pressures	-

- 5.3 A large element of the overspend pressure relates to needs led statutory duties including supporting the most vulnerable i.e. social care and homelessness. Additionally, sustained pressures arising from statutory duties relating to services such as waste and environmental health. This picture will provide a challenge in the future to services which are designed to promote choice, control and user resilience.

Inflation

- 5.4 Within the MTFS, no allowance has been given for inflation on contracts and running expenses since 2010/11. During this period RPI inflation has risen by

almost 25% This has meant that not only has the authority made savings year on year, it has also dealt with real cuts to its budget in the form of absorbing external cost pressures.

- 5.5 Services are required to contain expenditure within budget, but some are facing growing pressure without allowance for real-terms increases in costs. Several contractual arrangements are experiencing unavoidable inflationary pressures and some of these, most notably in Waste Services, which have long term RPI (which is generally higher than CPI) inflation linked contracts are directly contributing to the current reported monitoring position (Chart 1).

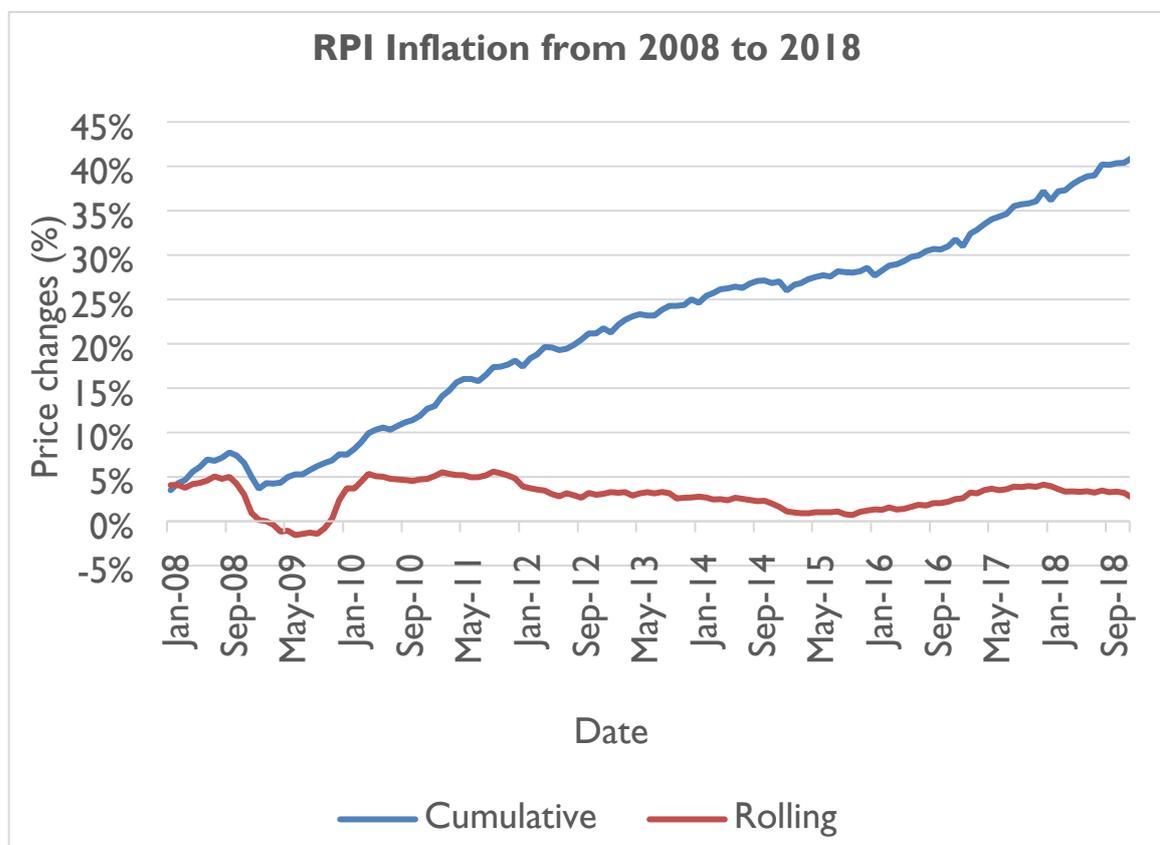


Chart 1: Inflation since 2008

- 5.6 Inflation has to a degree been contained by the service, although in recent years this has become increasingly more difficult to sustain, as the rate of inflation has steadily increased.

2019/20 Fees and Charges

- 5.7 Earlier in the financial year, Cabinet was presented with a report which outlined the relatively lower levels of fees and charges that this authority receives when benchmarked against its London neighbours.

5.8 Reviews of fees and charges are being undertaken and a number of inflationary / cost recovery changes are proposed at this stage. Given their nature (inflationary / cost recovery), they do not have a net budgetary impact as such. Inflationary increases merely attempt to keep pace with the cost of the service provision as we move from one year to the next. Cost recovery (where this has not been the case to date) should increase income levels and thereby help with reducing some of the overall net overspend pressures (including under achievement of income budgets), summarised in Table 6, as we enter 2019/20.

6 Local Government Finance Settlement 2019/20

Settlement Process

- 6.1 The Hudson review was set up in April 2018 to review governance and processes in the MHCLG. This was set up in response to issues in relation to the department's operation of the business rates retention system. It was led by Andrew Hudson the former Director General of HM Treasury and reported on 24 October 2018.
- 6.2 One recommendation of this review was that the provisional local government finance settlement earlier each year should be published on or around 5 December each year, thus allowing six weeks consultation prior to the final settlement in the run up to when authorities set their budgets for the forthcoming financial year. This year's provisional settlement was scheduled for 6 December 2018, but due to Parliamentary time afforded to Exiting the EU (subsequently postponed), this was delayed by a week until 13 December 2018. Final settlement was therefore delayed, with the debate in Parliament on 5 February 2019.
- 6.3 Annual decisions are made regarding matters that would not have been known at the commencement of the current MTF period, including elements of the annual settlement from the government.
- 6.4 The government announced that it would extend the London Business Rates Pooling pilot by another year through 2019/20, but with a reduced incentive of retaining 75% of real growth. At this stage, we do not know the performance of the first year's pilot and it is therefore prudent not to make any estimates for inclusion within the 2019/20 position.

6.5 The overall impact on core funding for the authority since 2010 is presented in Chart 2, which confirms a substantial cut in key ongoing funding over this period in excess of £1,400 per household.

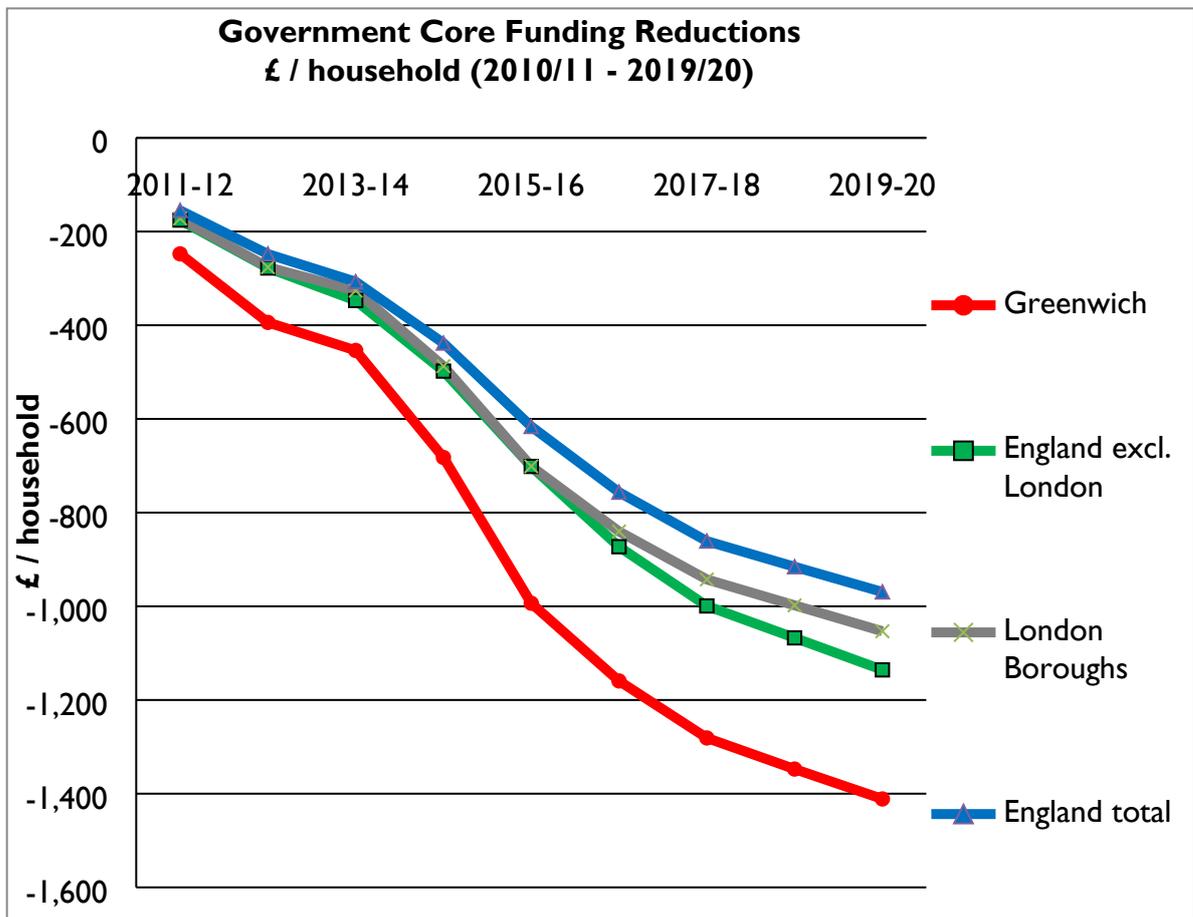


Chart 2 – Government Core Funding Reductions 2010/11 – 2019/20

6.6 The key difference to the General Fund as a result of the Settlement announcement came in the form of one off resources.

Social Care One Offs

6.7 Following on from previously made announcements, adult social care will receive £1.3m for winter pressures and a further social care sum, which can be allocated between adults and childrens social care of £2.3m was made. Had the basis been more evenly based around both adults and childrens need, rather than based upon adults needs alone, then the allocation would have been closer to £3.2m. Across London, this represents a shift of over £20m away from the capital.

Other One Offs

- 6.8 The government has announced that overall business rate income that it receives is above its own forecast and is therefore able to redistribute a sum to authorities. Greenwich will receive a one off sum of almost £1.3m, which is unringfenced.

7 2019/20 Financial Position

Ongoing Base Budget Impacts

- 7.1 The impact on the ongoing base budget position is shown below:

- (a) in April 2018 agreement was reached between the Employers and Union sides of the Greater London Provincial Council (GLPC) on the rates of pay applicable within the London Agreement for staff on NJC Green Book conditions. The cost of the new deal which ensures no one sees a rise of less than 2% is around £5.25m – this is a London wide agreement.
- (b) despite a slight slowdown in the rate of new homes growth within the borough, it remains relatively high, which underpins our New Homes Bonus allocations and additional council tax sums (Chart 3). £3m of new resources are available from the generation of new homes in the borough and the impact of premia on long term empty properties.

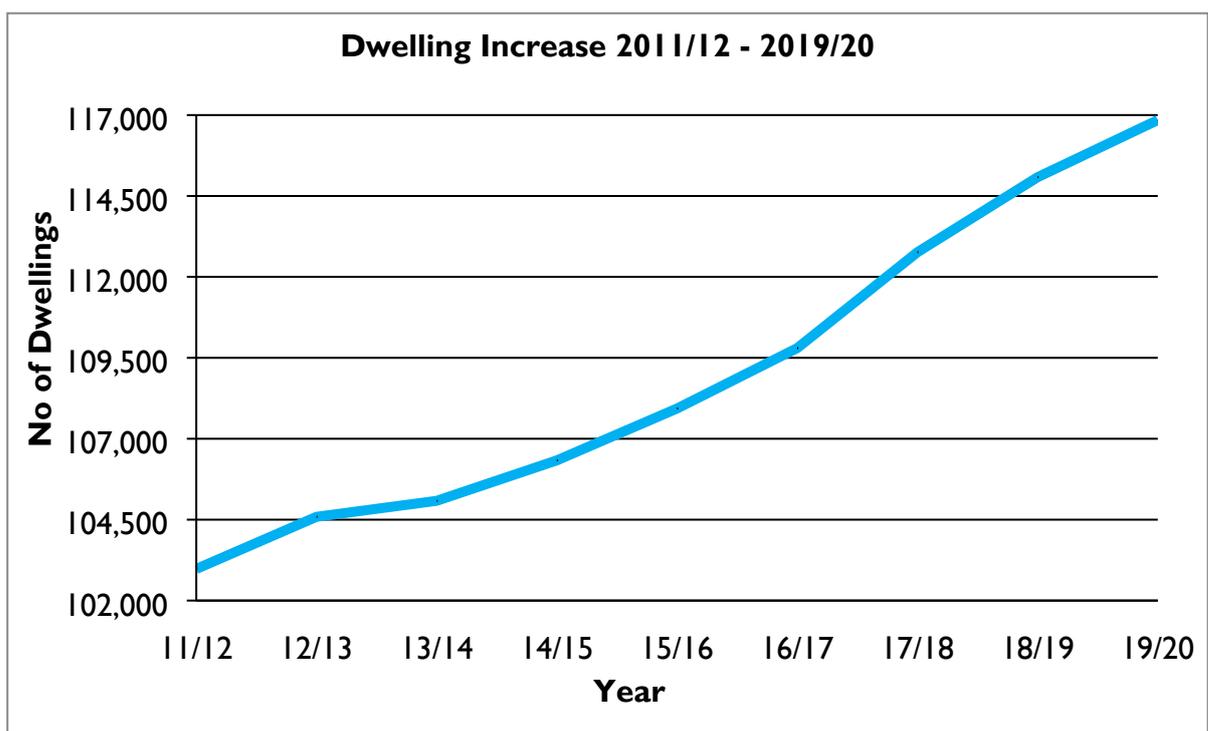


Chart 3 – Dwelling Increase 2011/12 – 2019/20

- (c) the council remains committed to providing quality front line services to its residents, but it is only right that the authority continues to look hard at itself and ensure that it can demonstrate Value for Money. Directorates will therefore be required to make total back office efficiency savings of £2.25m through 2019/20 (Table 7).

Table 7 – Departmental Reduction in funding for pay inflation

Department	Savings Target £k
Housing & Safer Communities	460
Community Engagement & Environment	410
Childrens Services	670
Finance	320
Health & Adult Services (HAS)*	0
Regeneration Enterprise and Skills	390
Total	2,250

* HAS currently has a Transformation Programme underway

- (d) the profile of government funding for one of the improved Better Care Funding streams sees a reduction going into 2019/20. The pressure on this service remains strong as it attempts to transform. The adult social care precept aside, much of the funding in recent years has been for time limited periods, without any certainty beyond that point or just plain one off - the sector badly needs a long term funding solution. It is proposed to provide £2m of resource within the base budget for health and adults.
- (e) net income receivable by the crematorium, which is passed on to the authority by way of a shared distribution, is used to finance a number of levy payments that the authority is required to make. Reduced activity levels (less cremations, accentuated by weather changes, but following a national trend associated with longevity i.e. another demographic pressure), combined with a number of other smaller pressures totalling £0.4m are also impacting upon the ongoing budget position.

7.2 The position is summarised in Table 8.

Table 8 – Ongoing Budget Position

Ongoing Budget Position	£m	£m
(a) inflation – London wide pay agreement	5.2	
(b) growth (new homes)	(3.0)	
(c) departmental back office savings	(2.2)	0.0
(d) government funding reduction		2.0
(e) other pressures incl crematorium		0.4
Budget Pressure		2.4

- 7.3 The Government Settlement assumes that tax revenues for each authority will rise each year through a combination of inflationary increases in council tax and growth through additional properties.
- 7.4 Part (b) above provides details on resources from new homes in the borough, however, it is worth noting that:
- Greenwich has the highest population per dwelling in Inner London (2.44 person per dwelling) i.e. the pressure on services is significant in comparison to its peers
 - Greenwich remains in the lower half of boroughs Council Tax levels within London.
- 7.5 The ability to raise council tax before a referendum is required has been maintained by the government for the second year at the higher level of 2.99% as a response to higher inflation (which itself is placing further pressure on the authority's resources). If inflation subsequently reverts to its lower levels for a sustained period then it is possible that the referendum limit could also potentially drop back to its former level of 1.99%.
- 7.6 Each 1% rise in Council Tax generates £0.8m of ongoing income, so **a 2.99% rise would yield a further £2.4m of ongoing income, thereby producing a balanced budget.**

One Off Impacts - Resources

- 7.7 The impact of the one offs is shown below (Table 9):
- (i) the budget for 2018/19 included a one off sum to be generated by way of the authority's inclusion in the London business rates pilot. The exact

figure to be generated will not be known until after the end of the 2018/19 year, but a prudent sum of £2m was provided for - this sum remains unallocated.

- (ii) net underspends arising from the current programme of one offs were set out in section 4.28 above.
- (iii) adult social care winter pressure grant
- (iv) joint adults and childrens social care grant
- (v) government rebate

Table 9 – One Offs Resources

One Offs Resources	£m
(i) b/f - council priorities	(2.0)
(ii) b/f – underspend on one offs	(2.6)
(iii) adult social care winter pressures	(1.3)
(iv) joint social care grant	(2.3)
(v) government rebate	(1.3)
One Off Capacity c/f	(9.5)

One off Impacts - Capacity Deployment

7.8 The one off resources of £9.5m generated above, can be deployed as follows (Table 10):

- (i) utilise in support of the 2018/19 financial position
- (ii) utilise in support of the 2018/19 financial position - along with (i)
- (iii) passport winter pressures to health and adults
- (iv) passport the joint social care grant to both childrens and health and adults, with the greater share going to childrens, given other funding proposals for health and adults, whilst ensuring that adults does not suffer a government funding reduction year on year.
- (v) the Local Government Boundary Commission for England is reviewing the local government electoral boundaries for all London local authorities who have not had a recent review.

Table 10 – One Offs Capacity Deployment

One Offs Position	£m	£m
One Off Capacity b/f		(9.5)
(i) support 2018/19	2.0	
(ii) support 2018/19 along with (i)	2.6	
(iii) passport winter pressures 2019/20	1.3	
(iv) passport joint social care 2019/20	2.3	
(v) boundary review 2019-21	0.1	8.3
One Off Capacity c/f		(1.2)

7.9 The sum of £1.2m is available to utilise for one offs or hold against pressures. The range of one off initiatives is shown in Table 11. Existing initiatives are shown alongside their current annual budget allocation. The new knife crime initiative is an estimated cost for the first year of operation.

Table 11 – List of Initiatives for One Off Funding

Initiative	Annual Budget £m
GLLP - Employment Exploitation & Serious Youth Violence Reduction Unit	2,100
Anti-Poverty Contingency	650
ESS	750
ACL	750
VOCU	400
Domestic Violence	350
E-Business Support	200
Total Annual Cost	150
	5,350

7.10 A number of projects could be operated on a “lite” basis, with consideration given to funding a number of priority areas including:

- Exploitation & Serious Youth Violence Reduction Unit (4.30 – 4.33)
- Universal Credit Support (4.10 – 4.12)
- GLLP (4.3 – 4.4).

8 **Council Tax**

Maximum Increases and Referendum Principles

- 8.1 The ability to raise council tax before a referendum is required has been maintained at 2.99% in 2019/20.

Funding Framework

- 8.2 This opportunity has come at a time when the future resourcing of local authority services is once again uncertain (the government Spending Review 2019). With a Fair Funding Review underway by the government (a promised fundamental review of local authority financing predicated on property taxes), the local government funding that authorities will be depending on from 2020, is currently unknown. Any increase in council tax provides an opportunity to build upon the investments made and build some financial resilience into services.

Borough Element of Council Tax

- 8.3 A sustained period of freezes in the borough element of council tax since 2008/09, during times of low inflation, has now been replaced by an upturn in inflation and a rise in council tax.
- 8.4 In 2018/19 the majority of London boroughs raised the borough element of council tax by either the maximum amount or close to (i.e. over 1.9%).
- 8.5 In terms of the overall direction of travel for council tax across London, Greenwich (Table 12) remains in a relatively good position:
- 11th lowest borough element of council tax in 2018/19 (Appendix A1)
 - 17th lowest rise for the period 2008/09 to 2018/19 (Appendix A2)

Table 12 – Royal Borough of Greenwich Element of Council Tax 2018/19

Valuation Band	Borough Element £
A	756.73
B	882.86
C	1,008.98
D	1,135.10
E	1,387.34
F	1,639.59
G	1,891.83
H	2,270.20

- 8.6 The proposed council tax levels (borough element) for 2019/20 are set out in Table 13.

Table 13 – Change in Headline Council Tax

Valuation Band	Borough Element 2018/19 £	Borough Element +2.99% £	CT +2.99% p/wk	LCTS* pence p/wk
A	757	779	+44p	+7p
B	883	909	+51p	+8p
C	1,009	1,039	+58p	+9p
D	1,135	1,169	+65p	+10p
E	1,387	1,429	+80p	+12p
F	1,640	1,689	+94p	+14p
G	1,892	1,948	+109p	+16p
H	2,270	2,338	+131p	+20p

* Local Council Tax Support – for those of working age receiving maximum support

Local Council Tax Support

- 8.7 Council Tax Support is a scheme to reduce Council Tax bills for people on a low income.
- 8.8 There are approximately 23,000 residents benefitting from this scheme, of which one third are pensioners whom are required to receive the full discount. The remaining two thirds are of working age and will pay 15% of their Council Tax liability, before LCTS is awarded.

GLA Precept

- 8.9 Table 14 shows the GLA precept for 2019/20 - an increase of 8.9% (subject to agreement by the London Assembly meeting on 25 February 2019).

Table 14 – GLA Precept

Valuation Band	GLA Precept £	+8.9% GLA £	Pence Per Week	LCTS* p/wk
A	214	+18	34p	+5p
B	249	+20	39p	+6p
C	285	+23	45p	+7p
D	321	+26	51p	+8p
E	392	+32	62p	+9p
F	463	+38	73p	+11p
G	534	+44	84p	+13p
H	641	+53	101p	+15p

Council Tax Bands 2019/20

- 8.10 The overall impact of the council tax and the GLA precept is shown in Table 15 and equates to 116 pence per week at Band D.

Table 15 – Total Council Tax by Band

Valuation Band	Borough Element £	GLA Precept £	Total Liability £
A	779.36	213.67	993.03
B	909.25	249.29	1,158.54
C	1,039.15	284.90	1,324.05
D	1,169.04	320.51	1,489.55
E	1,428.83	391.73	1,820.56
F	1,688.61	462.96	2,151.57
G	1,948.40	534.18	2,482.58
H	2,338.08	641.02	2,979.10

Gloucester Circus

- 8.11 In relation to the Town Gardens Protection Act 1863, the borough is required to raise the sum calculated herein, to maintain the enclosed garden

at Gloucester Circus by an addition to the council tax payable by the residents in the properties concerned. The amount of levy required for 2019/20 is £11,088.59. This can be raised by the additions shown in Table 16, to the council tax of the properties concerned.

Table 16 – Gloucester Circus addition to Council Tax

Valuation Band	2018/19 £	2019/20 £
A	76.08	76.86
B	88.76	89.67
C	101.44	102.48
D	114.12	115.29
E	139.48	140.91
F	164.84	166.53
G	190.20	192.15
H	228.24	230.58

Resolutions required by Legislation

8.12 The specific council tax resolutions required are set out in Appendix B.

9 Schools Related Funding

Dedicated Schools Grant (DSG)

9.1 Education for young people is funded by a DfE grant known as the Dedicated Schools Grant (DSG). The DSG can only be used for the purposes defined in The School and Early Years Finance (England) Regulations. The grant comprises 4 elements known as “funding blocks”:

- Schools
- Centrally Retained
- High Needs
- Early Years.

9.2 The Schools Block supports state funded Schools for education of pupils aged 5 to 16. Funding is distributed to individual schools using a formula based on the characteristics of the school and the pupils in that school. The formula is approved by the Schools Forum. The distribution of funding to state funded schools within Greenwich for 2019/20 is based on the National Funding Formula (NFF) as agreed with the Schools Forum in 2018/19.

- 9.3 Previously the Schools Block included those elements which are centrally held. These elements now comprise the Centrally Retained block. This block includes funding supporting services such as Early Help, Place Planning & MIS, Learning & Achievement, Schools Forum and School Admissions. Funding is restricted to historic 2012/13 levels with no uplift for cost pressures. Other funding supports a contribution towards School Pension costs and Capital Funding. As these fluctuate, the financial risk falls on the Borough. The Centrally retained Block now includes the remnants of the Education Services Grant (ESG).
- 9.4 The High Needs Block enables the Local Authority to undertake its duties towards the education of some of our most vulnerable pupils. This covers special education needs provision for pupils aged 0 to 25 and a contribution to the Virtual School for Looked After Children.
- 9.5 The High Needs Block is under financial pressure as the profile of the cohorts of children changes. In January 2019, Schools Forum approved a transfer from the Schools Block to the High Needs Block of £1.1m (0.5% of the total Schools Block).
- 9.6 The Early Years Block funds education in maintained Nursery Schools and Private Voluntary and Independent settings (PVI) including the 2 year old offer and the extended free child care for 3 and 4 year olds.
- 9.7 For 2019/20, funding blocks have been revised to reflect the current baseline adjustments.
- 9.8 The DSG will continue to be paid as a ring-fenced grant and will be subject to formal grant conditions.
- 9.9 On 16 January 2019, Schools Forum approved the 2019/20 DSG budget deployment as shown in Table 17.

Table 17 – DSG 2019/20

Block £m	2018/19*	2019/20*	Movement	Notes
Schools incl Central	220.8	226.4	5.6	Increase in pupil numbers
High Needs	46.2	47.3	1.1	Baselined in 2017/18 plan
Early Years	26.0	26.0	0.0	Full year effect of free entitlement
Total	292.9	299.7	6.8	

* prior to transfer between schools and high needs blocks

9.10 The year on year increase in DSG is as a consequence of increasing pupil numbers. This increase masks the impact of the funding changes within Schools. All but 7 Borough Schools are now in receipt of funding protection through Minimum Funding Guarantee, meaning that their underlying funding would be further reduced if all other factors are unchanged. In addition, Schools will be facing increased costs through pay and general inflation, placing further pressure on their available resources.

9.11 The budget strategy presented to the Schools Forum:

- allocates funding to all maintained primary and secondary schools and academies via the National Funding Formula (NFF)
- sets the Minimum Funding Guarantee (MFG) level at plus 0.2%
- builds in a one year only protection factor of 2.5% on falling rolls
- sets a cap on schools receiving in excess of 1% above MFG
- sets central budgets at the permitted levels
- allocates funding for early years provision
- allocates funding to Special Schools, Designated Special Provision and Pupil Referral Unit on a commissioned per place basis, with a top-up to reflect individual pupil need
- sets central budgets for SEN.

9.12 The total Schools Budget for 2019/20 has been contained within the total DSG allocated.

9.13 The DSG settlement includes estimates for 3 & 4 year olds and eligible 2 year olds. The budget position will be revisited when final grant allocations are received.

Pupil Premium

9.14 In addition, schools will continue to receive the Pupil Premium which will be paid as a specific grant. Funding levels remain the same as per 2018/19 (Table 18).

Table 18 – Pupil Premium per Pupil 2019/20

Type of Pupil	Amount per Pupil
Free School Meals – Primary pupils	£1,320 pa
Free School Meals - Secondary pupils	£935 pa
Children Looked After	£2,300 pa
Children who have ceased to be looked after because of adoption, a special guardianship order, a child arrangements order, or a residence order	£2,300 pa
Service Children	£300 pa

9.15 The estimated allocation for Greenwich is £11m. Actual allocations will be based upon pupils on the roll in January 2019. The Pupil Premium Grant is fully devolved to schools.

10 Prudential Indicators and Minimum Revenue Provision

Capital

- 10.1 Priority projects are brought together under the Capital Programme, presented to Council concurrently with this report as part of the Corporate Capital Strategy, which illustrates the anticipated levels of investment across the borough.
- 10.2 The programme consists of an ambitious and diverse set of projects to be delivered over a number of years, with projects moving from concept, to inception, to delivery and completion.
- 10.3 The Borough contributes significantly to the economic development and housing supply of London and the sub region, with further social and economic drivers impacting on education, jobs, health and social care and leisure provision.
- 10.4 Through both direct delivery and an enabling role the Council's approach has been to pursue a wide range of projects that focus on market failure as well as equity considerations spanning from land renewal, commercial, industrial, retail and housing development, improvements in transport and accessibility, environmental improvement, support for business, training and community development. The combined approach aims to maximise the possibility of convergence between wealthier and poorer parts of the borough, improving social cohesion and boosting economic growth.

Prudential Code

- 10.5 The Prudential Code for Capital Finance in Local Authorities (2018) requires authorities to publish and agree indicators of affordability, sustainability and prudence in relation to capital. Appendix C presents the indicators for 2017/18 – 2021/22 in accordance with the Code. In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, the authority has developed a Capital Strategy for consideration, including its Flexible Receipts Policy. It sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Minimum Revenue Provision

- 10.6 The authority is required via Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) to determine a minimum revenue provision (MRP) which it deems prudent. Appendix D contains the MRP policy, which is materially unchanged from previous years, to be applied from 2019/20.

11 Financial Standing, Future Risk and Robustness of the Budget Process

- 11.1 There is a legal obligation upon members to set a balanced budget. In turn, s25 of the Local Government Act 2003 requires that the chief finance officer (s151 Officer) makes an assessment of the robustness of the budget preparation and the adequacy of reserves, in light of the pressures and risks faced by the authority, both of which are felt adequate for the reasons set out below.
- 11.2 The proposals within this report recognise the upturn in inflationary pressures and with this the continuation of the governments increased headroom afforded to council tax increases before the need for a referendum. In applying the resources earned, the authority is allocating them to areas where demand and overspend pressure is already greatest and where expenditure will be required to meet increased pressures.
- 11.3 The proposals allow priorities surrounding specific challenges and anti-poverty to continue to be delivered, against a back drop of reduced government funding.

- 11.4 Financial challenges pose significant and increasing risks and present conflicting calls on reserves. Reserves are a finite resource – they can be used to protect services on a one off basis (a short term strategy) or they can be invested, to make the changes needed to reduce the cost of service provision (a long term strategy). Alternatively, reserves could be increased to further strengthen resilience against future uncertainties.
- 11.5 Balances smooth the effects of unforeseen calls on resources without disrupting service delivery. It is for the chief finance officer to advise on levels of reserves which can be considered as a prudent level, appropriate for the internal and external risks faced and based on local conditions and national factors. A degree of professional judgment is required.
- 11.6 Robust actions are required to ensure that the MTFS delivers a balanced position by the end of 2019/20. A risk based approach is used in judging the adequacy of the appropriate level of general reserves. It focuses on the following risks:
- changes to the Local Government Funding regime have resulted in recent years in significant turbulence and shifts in resources - the need for strong financial discipline remains
 - although the business rates retention mechanism is due to remain in place, its design is currently under review
 - the forthcoming Spending Review (SR2019) presents a risk to the quantum of funding available to the local authority sector – a significant and sustained increase in overall resources is required as a starting point
 - the Fair Funding Review will review the distribution of that resource. The methodology of redistributing resources to local government recently has shown those resources shifting away from London (para 6.7). Current government proposals show that “deprivation” may not feature as a factor in part of the new calculations affecting the funding of services such as waste disposal, public transport, libraries, leisure, planning and homelessness – instead replaced by a population count, enhanced by a rurality factor. Greenwich is the 50th most deprived authority in the country (as at 2015 – out of 326). As a result, this resource shift could propagate further and present a material risk to the future funding levels of this authority

- each of these reviews present a significant risk to the funding levels receivable by Greenwich
- the continuing development of risk management has created a focus on the level of risk presented by on-going service delivery. Demand, inflation and volume pressures arise across many services. Because of difficulties of scale and limited options for control over volumes and inflationary / market pressures some elements raise particular concerns, in particular waste, homelessness and social care price increases.
- the continuing development of risk management has also created a focus on the level of risk contained within the Priority Investment Programme. Many elements are being funded by capital receipts (i.e. disposals). Management of the cash-flows and the requirement for initial investment rather than additional borrowing requires strong balance sheet management to sustain both the investment, and the uncertainty associated with such a large and complex programme
- the authority must put itself in a position to respond to key areas of service risk and community priorities and it needs to set a budget that is sufficiently financially robust to take account of these identified pressures. However it also utilises, where prudent, one-off funding to support investment and underpin risk management.

11.7 A summary risk register relating to financial standing is attached at Appendix E.

12 **Options**

12.1 In considering the relevant factors, the authority has generated a number of proposals to address the matters presented within this report. Risks are outlined in section 11.

12.2 A “do-nothing” option would expose the authority to an unacceptable level of financial and other risk.

12.3 In order to generate additional funding capacity, further actions would be required. The authority could consider, on top of the savings outlined in Section 7.1 (c), whether further savings could be achieved in order to fund any of the proposals and potentially provide resilience against the 2019/20 position. Table 19 shows the additional ask of each directorate for every £1m of additional funding needed (whilst continuing to protect health and adults).

Table 19 – Directorate apportionment of an additional £1m saving

Department	Further £1m Target £k
Housing & Safer Communities	200
Community Engagement & Environment	180
Childrens Services	300
Finance	140
Health & Adult Services	0
Regeneration Enterprise and Skills	180
Total	1,000

- 12.4 In light of the ask already being made (in Section 7.1 (c)), it is not felt prudent at this stage to pursue this line, without risking the delivery of services.
- 12.5 Although other alternative proposals could be made, this report has been scrutinised by the chief finance officer and considered in the light of the requirements of the Local Government Act 2003.

13 Outcome of Consultation

- 13.1 This year, the authority has engaged in an on line consultation regarding proposals for 2019/20. Furthermore, the Leader and Lead Member for Finance and Resources undertook a Twitter Q&A during the period in question. The results of this consultation are set out below and have helped to inform the key recommendations in this report.
- 13.2 A total of 325 respondents engaged with the consultation. It provided an opportunity for stakeholders to input their feelings on keys themes. The headlines were as follows:
- 85% want front line services to be protected
 - 74% want the council to make efficiencies
 - 62% want to increase income by way of fees and charges
 - 59% want to increase income by way of a council tax increase
- 13.3 A total of 279 respondents provided replies to a number of further questions, as follows:
- 82% want to tackle youth violence
 - 82% think social care (adults and children's) should be prioritised

- 69% think we should help to reduce poverty by supporting residents into getting back to work
- 56% think we should help to reduce poverty by supporting residents in receipt of Universal Credit

13.4 The Local Government Finance Act 1992 requires billing authorities to undertake consultation with “persons or bodies appearing to it to be representative of persons subject to non domestic rates under s43 and s45 of the 1988 Act as regards hereditaments in the authority’s area” as part of the budget setting process. This has also been undertaken.

14 Cross Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	<p>This report reflects the Council's statutory obligations in setting a balanced budget. The report also meets the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place in line with section 25 of the Local Government Act 2003.</p> <p>The requirements to calculate and set a Council Tax are set out in the Local Government Finance Act 1992 and are detailed in the report.</p>	John Scarborough, Head of Legal Services, February 2019
Finance	This report is authored by the Director of Finance and there are no other financial implications arising.	Damon Cook, Assistant Director of Finance & Deputy s151 Officer, February 2019
Equalities	Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people	Sandra Huber, Head of Accounting and Business Change, February 2019

	from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper could directly impact on end users. An equality analysis of the potential impact of the projects where time limited funding has ended or reduced is shown in Appendix F.	
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Background Papers:

Local Government Settlement – MHCLG 06/02/19

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