

<b>COUNCIL</b>	<b>DATE</b> 27 February 2019	<b>ITEM NO</b> 12
<b>TITLE</b> Budget and Council Tax Setting 2019/20 - Addendum Item	<b>WARD(S)</b> All	
<b>CHIEF OFFICER</b> Chief Executive	<b>CABINET MEMBER</b> Finance and Resources	

## **I Decisions required**

Council is requested to:

- 1.1 Note that the contents of this addendum should be read as part of the report with the same title being considered by Council on 27 February 2019
- 1.2 Note that following receipt of new information relating to the pooling of business rates in London for 2019/20 an additional sum of circa £2m one off resources is available for 2019/20 (Section 4) and is applied:
  - to ensure the continuity of the Emergency Support Scheme (£0.750m)
  - to be held against overspend pressures (£1.250m)
- 1.3 Agree the revised budget, including approval of the revised statutory calculation set out at Appendix I.

## **2 Reasons for Urgency**

- 2.1 Overview & Scrutiny Committee and Cabinet have both considered proposals at their meetings on 19 and 20 February 2019 in relation to the budget and council tax levels for 2019/20. Cabinet further met on 26 February to consider the report below. Council is being asked to consider the financial position as laid out to both other committees and then make a number of formal decisions, including to set the annual budget and borough council tax level for 2019/20.
- 2.2 At the meeting of Overview & Scrutiny on 19 February 2019, the Leader of the Council explained the budget proposals to Members, including specifically, a pledge reflected in the draft minutes of the committee:

*“if it transpired that any more money was forthcoming either this year or in 2019/20, the Leader’s priority would be to put any extra funds into the Emergency Support Scheme.”*

- 2.3 On the evening of 20 February 2019, information relating to the 2019/20 London Business Rates Pooling pilot was received. Prior to that point, the authority was in receipt of a model with a substantial number of caveats including that “all figures should be treated as highly illustrative example”. It utilised out of date data, which, coupled without the benefit of a full years operation (i.e. 2018/19 has not concluded yet and the actual outturn will not be known until after the financial year end of 31 March 2019) - implied a level of uncertainty such that nil was forecast. This information could not reasonably have been anticipated.
- 2.4 Officers have reviewed the information received and consider that a prudent sum of £2m could be factored in to the 2019/20 financial position, as a one off.
- 2.5 The Council is required to have calculated its budget requirements by 11 March 2019. The last meeting of Council before that date is on 27 February 2019. In considering the financial position for 2019/20, Cabinet was asked to note this additional one sum and agree to its deployment, prior to Council meeting on 27 February 2019.
- 2.6 Agreement of the Chair of Overview and Scrutiny was obtained on 25 February 2019

### **3 Purpose of Report and Executive Summary**

- 3.1 This report informs members of new one off resources for 2019/20 and enables a decision to be made in respect of their deployment.

### **4 Introduction and Background**

- 4.1 The current financial year 2018/19 is the first year of a London wide business rates pooling pilot, with authorities able to retain 100% of real growth. Several estimates of business rates activity are made during the year by boroughs and submitted. Some are audited, others are not. Following a number of models provided, the borough has a prudent estimate of £2m for the current year, however, the actual figure will not be known until after the end of the financial year.

- 4.2 At the time of the provisional local government settlement for 2019/20, the government announced that it would agree to London entering a second year of pooling, but at the reduced 75% rate.
- 4.3 The authority had been provided with a model which was based on early 2018/19 estimates, with a large number of assumptions and caveats, including that “all figures should be treated as highly illustrative example”. Coupled without the benefit of a full years operation (i.e. 2018/19 has not concluded yet) implied a level of uncertainty, such that a nil forecast was utilised.
- 4.4 The authority has a substantial number of overspend pressures in the current year, many of which may re-occur in 2019/20, albeit a number of initiatives are underway to turn this around. However, it is likely that a number of one offs resources will be required to help balance the 2018/19 position.
- 4.5 The Leader of the Council was clear at the meeting of Overview and Scrutiny that a priority would be to continue the work of the Emergency Support Scheme, were the funds to become available.
- 4.6 On the following evening, the council received information on the 2019/20 London business rates pool, utilising the latest data from each London borough. Analysis suggests that a prudent sum of £2m could be proposed as a one off for 2019/20.

#### One off treatment

- 4.7 Since this is a pilot scheme – London has benefitted from additional properties being placed into the pool by the government. If the pooling were to cease and each borough went back to utilising its own borough business rates resources, this sum could be lost. Additionally, the distribution within the pool is based upon the collective London wide position. If Greenwich has benefitted by being in the pool, then its retained income could potentially drop once it left. It is therefore prudent, whilst pooling is in the pilot phase that these sums are not placed into the base budget.
- 4.8 The position above is further supported by the risk of what happens to local government funding going forward. The Spending Review 2019 will determine what resources are available for the local government sector as a whole (we do not have a date for this review yet). Following the review, the outcome of the Fair Funding and Business Rates Retention reviews will be announced.

These latter two elements will determine the level of need for the borough and how it is resourced. Indications from the former review are that the needs assessment for the borough may be understated and that assumptions about local resources overstated – a poor outcome for the borough. The business rates review recommends what is known as a “hard reset” whereby any real growth gained by each borough since the introduction of the current system in 2013/14 is lost and goes back into the system. The concern is that a large funding gap emerges as the authority enters its new Medium Term Financial Strategy from 2020/21. The approach to classifying the business rates pooling sums as one off, provides a degree of protection against the potential turbulence from the reviews, whereas placing these sums into the base budget would exacerbate the problem.

- 4.9 Since this is being treated as a one off item, there is no impact upon the base budget, nor is it available to offset any proposals around council tax levels.

## **5 Resource Deployment**

- 5.1 The Cabinet report of 20 February 2019 explained the work of the ESS team, as set out below:

*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.*

- 5.2 During 2017/18, ESS received 2,667 applications in respect of emergency support grants and 1,399 in respect of community support payments. Around one third of applications result in a payment, with the main reasons for non acceptance being those where the number of payments exceeds the maximum number in a year and those where the DWP may be better placed to assist.
- 5.3 More recently, payments have increased each month during Q3 2018/19, with £13,500 paid out in December on emergency support grants alone. These are to some of the most vulnerable people in our borough.
- 5.4 An average of around 200 people per week are receiving their first UC payment, however, a number of applicants have not been successful and are

receiving either partial payments or no payment at all. It is imperative we ensure that the authority is able to stand ready to assist those that most need it.

## **6 Options**

- 6.1 A “do-nothing” option would see the authority miss an opportunity to continue provision of services to some of the most vulnerable residents.
- 6.2 Although other uses of the one off are possible, the Leader of the Council was clear when speaking to members of the Overview and Scrutiny Committee (and indeed Cabinet the following night), that the priority for any additional funds would be for the Emergency Support Scheme.
- 6.3 A prudent approach is to allocate the same annual level of funding, with the residual held against council pressures and priorities.

## **7 Outcome of Consultation**

- 7.1 References to good work of the Emergency Support Scheme are made a number of times in the consultation exercise. One in particular stated “the ...scheme must be protected, it is an excellent example of joined up working within the council – connecting people in crisis to preventative services (and maintaining engagement).”

## **8 Cross Cutting Issues and Implications**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Legal</b> including Human Rights Act	The Council’s statutory obligations in setting a balanced budget are set out in the Cabinet report dated 20 February 2019. At that meeting, Cabinet agreed the contents of the budget for final approval by Full Council at its meeting on 27 February 2019. Th report to Cabinet on 26 February 2020 explains the late information, which was received on 20 February and has resulted in a change to the overall sum available in 2019/20.  Section 32 of the Local Government	John Scarborough, Head of Legal Services, 27 February 2019

	<p>Finance Act 1992 requires the Council by 11 March to agree its budget requirements for each financial year in accordance with the methodology set out in the section. The last Council meeting before 11 March 2019 is on 27 February 2019. The decision by the Cabinet on 26 February 2019 was therefore urgent and could not be deferred.</p> <p>Under the Local Government Act 2000 and the Responsibility for Functions of the Council's Constitution, it falls to Full Council to agree the Council's budget.</p>	
<b>Finance</b>	<p>The proposal in this report allows priorities surrounding specific challenges including anti-poverty to continue to be delivered, against a backdrop of reduced government funding.</p> <p>The treatment of the sum is as a one off, as described in sections 4.7 and 4.8</p> <p>The sum allocated for ESS is considered prudent and by not allocating all of the forecast funds, the authority is reducing the risk around the underachievement of the forecast one off sum.</p>	<p>Damon Cook, Assistant Director of Finance &amp; Deputy s151 Officer, February 2019</p>
<b>Equalities</b>	<p>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 from different groups, and (iii) foster good relations between people from different groups. The decisions</p>	<p>Damon Cook, Assistant Director of Finance &amp; Deputy s151 Officer, February 2019</p>

	recommended through this paper would directly benefit end users.	
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Background Papers: None

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