

| | | |
|--|--|----------------------|
| COUNCIL | DATE 26 February 2020 | ITEM NO 13 |
| TITLE Budget and Council Tax Setting 2020/21 | WARD(S) All | |
| CHIEF OFFICER Director of Finance | CABINET MEMBER Finance and Resources | |
| DECISION CLASSIFICATION Key Non Exempt | 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 Agree that the Council budget for 2020/21 as set out in the report be approved
- I.2 Agree a council tax rise of 1.99% in support of service delivery pressures
- I.3 Agree an Adult Social Care precept of 2% to be passported to Health and Adults
- I.4 Note the overall additional cost of 90p per week for the borough element of council tax at Band D (Section 4)
- I.5 Note that the GLA precept for 2020/21 is due to increase by 3.6% (22p per week at Band D) (Section 4)
- I.6 Agree the addition to the council tax in 2020/21 on the taxpayers in premises surrounding the garden in Gloucester Circus SE10 (Section 4)
- I.7 Agree the overall council tax level and the relevant statutory calculations and resolutions (Section 4 and Appendix B)
- I.8 Agree the schools funding formula for use in 2020/21 as presented to Schools Forum on 15 January 2020 (Section 5)
- I.9 Note the level of Dedicated Schools Grant for Education purposes and that the budget proposals for 2020/21 were agreed by the Schools Forum on 15 January 2020 (Section 5)

- 1.10 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 and Business Rates Reviews (Section 6 / Appendix C)
- 1.11 Note the comments of the Overview and Scrutiny Committee on 28 January 2020 (Appendix E)

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 (MTFS) 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.
- 2.3 Embarking on the next chapter of the journey, building a Fairer Greenwich, demands a refresh of those principles (Table 1).

Table 1 – Budget Principles

| Principle | Description |
|--|--|
| A Fairer Greenwich | <i>an inclusive economy with financial inclusion reducing poverty, improving life quality and increasing opportunities for disadvantaged residents</i> |
| 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> |
| Deepening Financial Resilience | <i>developing new sustainable strategies within a Continuous Improvement context, to manage resources and ensure continuity of service delivery</i> |
| Effective Governance in the context of diminishing resources | <i>using information about costs and performance to facilitate effective and informed decision making</i> |

3 Purpose of Report and Executive Summary

- 3.1 The report enables members to determine the budget for the authority for 2020/21 and in doing so consider how spending requirements are to be financed. The report should be read in conjunction with the Medium Term Financial Strategy 2020/21+ (MTFS) and Treasury Management and Capital Strategy reports that are scheduled for consideration on the same agenda.
- 3.2 The MTFS report proposes a headline borough council tax rise of 3.99%.
- 3.3 The structure of this report is set out in Table 2.

Table 2 – Structure of the Report

| Ref | Section |
|------------|--|
| 4 | Council Tax |
| 5 | Schools Related Funding |
| 6 | Financial Standing, Future Risk and Robustness of the Budget Process |
| 7 | Options |

| | |
|--------|--|
| 8 | Public Consultation |
| 9 | Cross Cutting Issues and Implications |
| App A1 | Council Tax levels 2019/20 (Band D – borough element) |
| App A2 | Council Tax levels 2008/09 – 2019/20 (Band D – borough element) |
| App B | Statutory Calculations and Resolutions |
| App C | Financial Standing and Risk |
| App D | Equalities Impact Assessment |
| App E | Comments of the Overview and Scrutiny Committee on 28 January 2020 |

4 Council Tax

Maximum Increases and Referendum Principles

- 4.1 The ability to raise council tax before a referendum is required has been reduced to 1.99% in 2020/21 from 2.99% in 2019/20. In addition, authorities can levy an Adult social care precept of 2%.

Funding Framework

- 4.2 The future resourcing of local authority services is once again uncertain. With a Fair Funding Review underway by the government (a promised fundamental review of local authority financing), the local government funding that authorities will be depending on from 2021, 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

- 4.3 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.
- 4.4 In 2019/20 the majority of London boroughs raised the borough element of council tax by either the maximum amount or close to it (i.e. 2.99%).
- 4.5 In terms of the overall direction of travel for council tax across London, Greenwich (Table 3) remains in a relatively good position:
- 11th lowest borough element of council tax in 2019/20 (Appendix A1)
 - 19th lowest rise for the period 2008/09 to 2019/20 (Appendix A2)

Table 3 – Royal Borough of Greenwich Element of Council Tax 2019/20

| Valuation Band | Borough Element £ |
|-----------------------|------------------------------|
| A | 779.36 |
| B | 909.25 |
| C | 1,039.15 |
| D | 1,169.04 |
| E | 1,428.83 |
| F | 1,688.61 |
| G | 1,948.40 |
| H | 2,338.08 |

4.6 In respect of the period since 2008/09, it is worth setting this in context of the cumulative inflationary impact over that period.

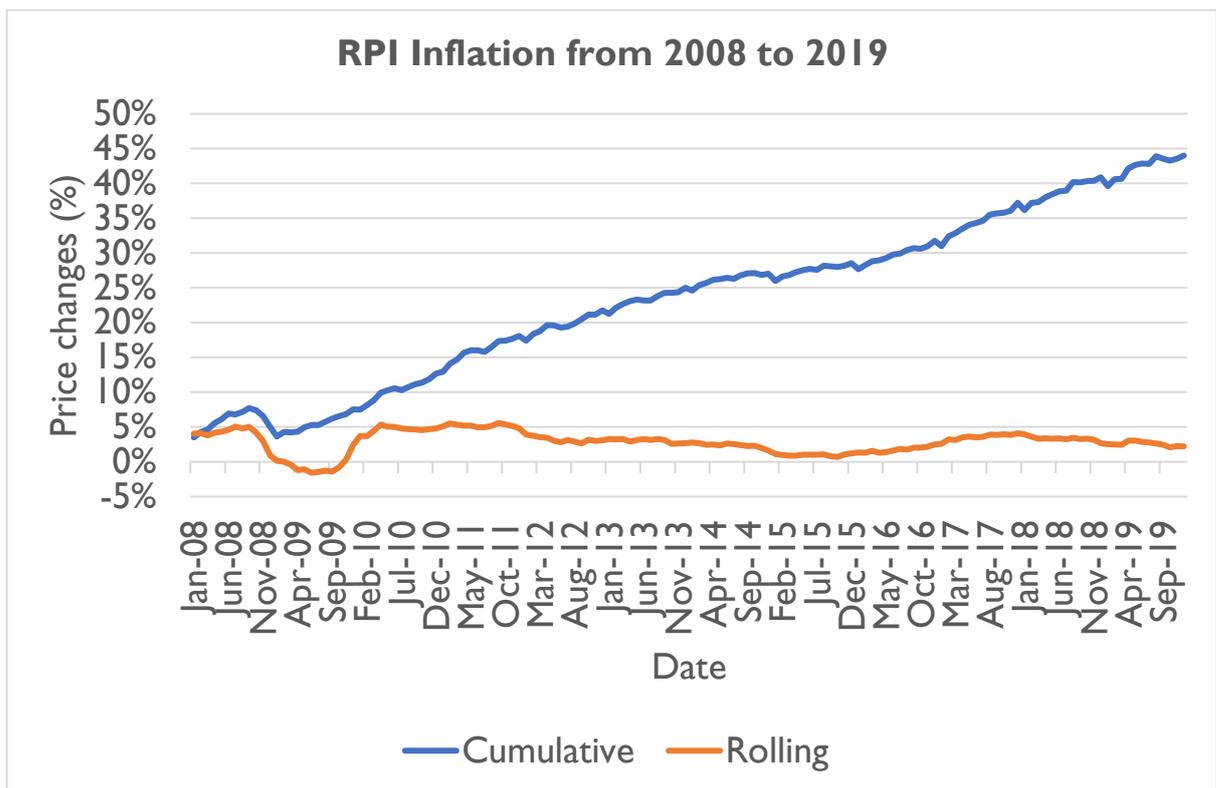


Chart 1: Inflation since 2008

4.7 The proposed council tax levels (borough element) for 2020/21 are set out in Table 4.

Table 4 – Change in Headline Council Tax

| Valuation Band | Borough Element 2019/20 £ | ASC +2.00% £ | Borough Element +1.99% £ | Total per Year £ | Council Tax +3.99% p/wk |
|-----------------------|--------------------------------------|-------------------------|-------------------------------------|-----------------------------|------------------------------------|
| A | 779 | +16 | +16 | +32 | +60p |
| B | 909 | +18 | +18 | +36 | +70p |
| C | 1,039 | +21 | +21 | +42 | +80p |
| D | 1,169 | +23 | +23 | +46 | +90p |
| E | 1,429 | +29 | +28 | +57 | +110p |
| F | 1,689 | +34 | +34 | +68 | +130p |
| G | 1,948 | +39 | +39 | +78 | +150p |
| H | 2,338 | +47 | +47 | +94 | +179p |

Local Council Tax Support

- 4.8 Council Tax Support is a scheme to reduce Council Tax bills for people on a low income. Changes to the scheme for 2020/21 were agreed by Council on the 29 January 2020 which increased the maximum level of support for all working age claimants to 100%.

GLA Precept

- 4.9 Table 5 shows the GLA precept for 2020/21 - an increase of 3.6% (subject to agreement by the London Assembly meeting on 24th February 2020).

Table 5 – GLA Precept

| Valuation Band | GLA Precept £ | +3.6% GLA £ | Pence Per Week |
|-----------------------|--------------------------|----------------------------|-------------------------------|
| A | 214 | +8 | 15p |
| B | 249 | +9 | 17p |
| C | 285 | +10 | 20p |
| D | 321 | +12 | 22p |
| E | 392 | +14 | 27p |
| F | 463 | +17 | 32p |
| G | 534 | +19 | 37p |
| H | 641 | +23 | 44p |

Council Tax Bands 2020/21

- 4.10 The overall impact of the council tax and the GLA precept is shown in Table 6 and equates to an increase of 112 pence per week at Band D.

Table 6 – Total Council Tax by Band

| Valuation Band | Borough Element £ | GLA Precept £ | Total Liability £ |
|-----------------------|------------------------------|--------------------------|------------------------------|
| A | 810.45 | 221.38 | 1,031.83 |
| B | 945.53 | 258.28 | 1,203.81 |
| C | 1,080.60 | 295.17 | 1,375.77 |
| D | 1,215.68 | 332.07 | 1,547.75 |
| E | 1,485.83 | 405.86 | 1,891.69 |
| F | 1,755.98 | 479.66 | 2,235.64 |
| G | 2,026.13 | 553.45 | 2,579.58 |
| H | 2,431.36 | 664.14 | 3,095.50 |

Gloucester Circus

- 4.11 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 2020/21 is £11,427. This can be raised by the additions shown in Table 7, to the council tax of the properties concerned.

Table 7 – Gloucester Circus addition to Council Tax

| Valuation Band | 2019/20 £ | 2020/21 £ |
|-----------------------|----------------------|----------------------|
| A | 76.86 | 79.62 |
| B | 89.67 | 92.89 |
| C | 102.48 | 106.16 |
| D | 115.29 | 119.43 |
| E | 140.91 | 145.97 |
| F | 166.53 | 172.51 |
| G | 192.15 | 199.05 |
| H | 230.58 | 238.86 |

Resolutions required by Legislation

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

5 Schools Related Funding

Dedicated Schools Grant (DSG)

- 5.1 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
- 5.2 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 2020/21 is based on the National Funding Formula (NFF) as agreed with the Schools Forum in 2018/19.
- 5.3 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 & Management Information Systems, 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).
- 5.4 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.

- 5.5 The High Needs Block is under financial pressure as the profile of the cohorts of children changes. In December 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).
- 5.6 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.
- 5.7 For 2020/21, funding blocks have been revised to reflect the current baseline adjustments.
- 5.8 The DSG will continue to be paid as a ring-fenced grant and will be subject to formal grant conditions.
- 5.9 On 15 January 2020, Schools Forum approved the 2020/21 DSG budget deployment as shown in Table 8.

Table 8 – DSG 2020/21

| Block £m | 2019/20* | 2020/21* | Movement | Notes |
|-----------------|-----------------|-----------------|-----------------|--|
| Schools | 220.2 | 229.8 | 9.6 | Increase in pupil numbers and funding |
| Central | 6.2 | 5.3 | -0.9 | Reduction in funding for historic commitments |
| High Needs | 47.2 | 51.6 | 4.4 | An increase of 9.3% in funding |
| Early Years | 27.9 | 28.2 | 0.3 | An increase of 8p per hour for 3 and 4 year olds |
| Total | 301.5 | 314.9 | 13.4 | |

* prior to transfer between schools and high needs blocks

- 5.10 The year on year increase in DSG is as a consequence of increasing pupil numbers and additional funding. The Schools Block element of the DSG increased by 4.2%. This increase masks the impact of the funding changes within Schools. Currently 70 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.

5.11 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 3.32%
- the one year only protection on falling rolls has been removed
- no cap has been set on schools receiving funding in excess of 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 Special Educational Needs.

5.12 The total Schools Budget for 2020/21 has been contained within the total DSG allocated.

5.13 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

5.14 In addition, schools will continue to receive the Pupil Premium which will be paid as a specific grant. The Government has announced that pupil premium and service premium rates will increase in line with inflation for the financial year 2020. The Funding levels for 2020/21 are shown in Table 9.

Table 9 – Pupil Premium per Pupil 2020/21

| Type of Pupil | Amount per Pupil |
|---|-------------------------|
| Free School Meals – Primary pupils | £1,345 pa |
| Free School Meals - Secondary pupils | £955pa |
| Children Looked After | £2,345 pa |
| Children who have ceased to be looked after because of adoption, a special guardianship order, a child arrangements order, or a residence order | £2,345 pa |
| Service Children | £310 pa |

5.15 The estimated allocation for Greenwich is £10m. Actual allocations will be based upon pupils on the roll in January 2020. The Pupil Premium Grant is fully devolved to schools.

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

- 6.1 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.
- 6.2 The proposals within this report recognise the upturn in inflationary pressures and with this the continuation of the governments 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.
- 6.3 The proposals allow priorities surrounding specific challenges and anti-poverty to continue to be delivered, against a back drop of reduced government funding.
- 6.4 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.
- 6.5 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.
- 6.6 Robust actions are required to ensure that the MTFS delivers a balanced position by the end of the period. 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 (SR2020) 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. It is likely to produce new formulae to allocate local government funding between Councils comprising a main formula funding to cover most services delivered and specific formulas for Social Care and Children's Services. 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 Royal 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
- Royal Greenwich has an ambitious and diverse capital programme, details of which can be found within the Corporate Capital Strategy. Delivery of the capital programme generates a significant resourcing requirement, including the realisation of capital receipts from asset disposals. The timing of these, and other, receipts may have substantial working capital and treasury management implications; therefore risks within this area can only be managed through a strong balance sheet position and use of resources. With increasing focus and complexity in this area the management of these risks has been strengthened through greater alignment of Treasury Management and Capital Investment functions
- 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

6.7 A summary risk register relating to financial standing is attached at Appendix C.

7 Options

7.1 In considering the relevant factors, the authority has generated a number of proposals to address the matters presented within the MTF5. Risks are outlined in section 6.

7.2 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.

8 Public Consultation

8.1 This year, the authority has engaged in an on line consultation regarding proposals for 2020/21. The consultation was for the period 14 January 2020 until 7 February 2020.

8.2 A total of 460 respondents engaged with the consultation. It provided an opportunity for stakeholders to input their feelings on key themes. The headlines were as follows:

- 85% want front line services to be protected
- 77% want the council to make efficiencies
- 61% want to increase income by way of fees and charges
- 54% want to increase income by way of a council tax increase

8.3 In terms of the priorities around building a fairer, greener Greenwich, respondents provided replies to a number of further questions as follows:

- 79% want the council to reshape social care services to improve outcomes for residents
- 72% want the council to tackle climate emergency and environmental issues
- 68% want the council to reduce poverty by helping working age residents on the lowest incomes
- 67% want the council to offer business rate relief to retail food premises that offer healthy eating options

8.4 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.

9 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, Director of Legal Services, 13 February 2020 |
| Finance | This report is authored by the Director of Finance and there are no other financial implications arising. | Damon Cook, Director of Finance, February 2020 |
| Equalities | <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 recommended through this report could directly impact on end users.</p> <p>Proposals affecting staff will be assessed in accordance with the relevant policies and procedures regarding reorganisation.</p> | Stephen Parratt, Accountancy Business Change Manager, February 2020 |

| | | |
|--|--|--|
| | With regards to other proposals considered by Cabinet on the 19 February 2020, the results of the equality impact assessment are attached at Appendix D. | |
|--|--|--|

10 **Report Appendices**

10.1 The following documents are published with and form part of the report:

| | |
|--------|--|
| App A1 | Council Tax levels 2019/20 (Band D – borough element) |
| App A2 | Council Tax levels 2008/09 – 2019/20 (Band D – borough element) |
| App B | Statutory Calculations and Resolutions |
| App C | Financial Standing and Risk |
| App D | Equalities Impact Assessment |
| App E | Comments of the Overview and Scrutiny Committee on 28 January 2020 |

Background Papers:

Local Government Settlement – MHCLG

Report Authors: Stephen Parratt/Richard Pulfer
Accountancy Business Change Manager
Tel: 020 8921 5263/5209
Email: stephen.parratt@royalgreenwich.gov.uk
richard.pulfer@royalgreenwich.gov.uk

Reporting To: Sandra Huber
Head of Accountancy and Business Change
Tel: 020 8921 6185
Email: sandra.huber@royalgreenwich.gov.uk

Reporting To: Damon Cook
Director of Finance
Tel: 020 8921 3508
Email: damon.cook@royalgreenwich.gov.uk