



Report of: Executive Member for Finance and Performance

Meeting of	Date	Ward(s)
Council	25 th February 2016	All

Delete as appropriate	Exempt	Non-exempt
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BUDGET PROPOSALS 2016-17

1 INTRODUCTION

1.1 The principal purpose of this report is for the Executive to recommend proposals in respect of the council's 2016-17 budget, as the basis for setting the 2016-17 budget and council tax. The Policy and Performance Scrutiny Committee reviewed the proposed budget at its meeting on 21st January 2016 and its recommendations have been taken into account in this report.

1.2 The contents of this report are summarised below:

Section 2 sets out the recommendations.

Section 3 sets out the 2016-17 General Fund revenue budget and Medium Term Financial Strategy (MTFS).

Section 4 details the Housing Revenue Account (HRA) for 2016-17 and its MTFS.

Section 5 details the 2016-17 to 2018-19 Capital Programme.

Section 6 sets out the Annual Treasury Management and Investment Strategy, the Prudential Indicators and the Minimum Revenue Provision Policy.

Section 7 shows the detailed, statutory council tax calculations.

Section 8 details matters to consider in setting the budget.

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2 RECOMMENDATIONS

The General Fund Budget 2016-17 and MTFS (Section 3)

- 2.1 To agree the 2016-17 net Council cash limits as set out in **Table 1 (Paragraph 3.1.4)** and the MTFS at **Appendix A**, which include the revenue savings in **Appendix B** and revenue growth of £0.5m for investment in keeping the borough's young people safe.
- 2.2 To note the report of the Policy and Performance Scrutiny Committee on 21st January 2016 in reviewing the 'Budget Proposals 2016-17'.
- 2.3 To note the requirement to report on the number of maintained schools that have completed the Schools Value Financial Standard (SVFS) by 31st March to the Department for Education by 31st May each year. (**Paragraph 3.2.13**)
- 2.4 To note the fees and charges policy and the schedule of 2016-17 fees and charges, and to note the delegated authority for the Corporate Director of Children's Services, in consultation with the Executive Member for Children and Families, to agree new childcare charges following consultation in the summer term. (**Paragraphs 3.2.14-17 and Appendices C1 and C2**)
- 2.5 To agree the Council's policy on the level of General Fund balances and the estimated use of the Council's earmarked reserves. (**Paragraphs 3.2.19-21 and Table 3**)

The HRA Budget and MTFS (Section 4)

- 2.6 To agree the balanced HRA 2016-17 budget within the HRA MTFS at **Appendix D1** and the 2016-17 HRA savings at **Appendix D2**.
- 2.7 To note the 2016-17 HRA rents and other fees and charges. (**Tables 5-8 and Appendix D3**)

The Capital Programme 2016-17 to 2018-19 (Section 5)

- 2.8 To agree the 2016-17 capital programme and note the provisional programme for 2017-18 to 2018-19. (**Paragraph 5.1, Table 9 and Appendix E1**)
- 2.9 To agree that the Corporate Director of Finance and Resources applies capital resources to fund the capital programme in the most cost-effective way. (**Paragraph 5.2**)
- 2.10 To note the schedule of planned Traffic and Transportation schemes in 2016-17 and agree the related decision-making responsibilities for these schemes. (**Paragraph 5.3 and Appendix E2**)

Annual Treasury Management and Investment Strategy, Prudential Indicators and Minimum Revenue Provision Policy (Section 6)

- 2.11 To agree the Annual Treasury Management and Investment Strategy 2016-17 (including external debt and treasury management Prudential Indicators), as considered by Audit Committee on 28th January 2016. (**Section 6 and Appendix F1**)
- 2.12 To agree the additional capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy. (**Section 6 and Appendix F2**)

Council Tax 2016-17, including Statutory Calculations (Section 7)

- 2.13 To agree the calculations required for the determination of the 2016-17 council tax requirement and the level of council tax as detailed in **Section 7** and summarised below.
- 1) The 2016-17 council tax requirement of £76,874,061.54. (**Paragraph 7.5**)
 - 2) The relevant (average) amount of Islington Band D council tax of £1,020.37, a 3.99% increase compared to 2015-16, and to determine that this is not 'excessive'. (**Paragraphs 7.6 and 7.7**)
 - 3) The basic amount of Islington Band D council tax for dwellings to which no special item relates (i.e. outside of the Lloyd Square Garden area) of £1,020.15 and total Band D council tax (including the GLA precept) of £1,296.15. (**Paragraphs 7.8 and 7.12**)
 - 4) The amount of 2016-17 council tax (excluding the GLA precept) for each valuation band over each of the Council's areas. (**Paragraph 7.10**)
 - 5) The total amount of 2016-17 council tax (including the GLA precept) for each valuation band over each of the Council's areas. (**Paragraph 7.12**)

Matters to Consider in Setting the Budget (Section 8)

- 2.14 To note the Section 151 Officer's and the Monitoring Officer's comments in their determination of the revenue and capital budgets for 2016-17 and the basis for the level of council tax, including the Section 151 Officer's report in relation to his responsibilities under Section 25 (2) of the Local Government Act 2003.
- 2.15 To note the Resident Impact Assessment (RIA) on the 2016-17 budget. (**Appendix G**)
- 2.16 To note the Pay Policy Statement for 2016-17, for onward agreement by Council. (**Appendix H**)

3 GENERAL FUND BUDGET 2016-17

3.1 GENERAL FUND BUDGET - OVERVIEW

- 3.1.1 Following significant cuts in national Government funding since 2010, Islington Council has had to make savings of £150m over the five years 2011-2016. For the financial year 2016-17, there is a further budget gap of £24m to close, following the announcement of further Government cuts to the Council's core Government funding (£13m) and further net costs including inflationary and demographic pressures (£11m).
- 3.1.2 Over the four years 2016-20, Islington faces an estimated budget gap of £73m, including an estimated cut in core Government funding of £35m. Over the period 2010 to 2020, Islington will have faced a like-for-like reduction in core unringfenced government funding of revenue support grant, business rates and top-up grant of approximately 70%.
- 3.1.3 The proposed General Fund revenue budget and net revenue cash limits for 2016-17 are shown within the MTFS at **Appendix A**. The MTFS includes the proposed 2016-17 General Fund savings at **Appendix B** and also details the forecast net expenditure over the medium term, based on current knowledge and expectations. Included within the 2016-17 budget is £0.5m of new money for additional targeted support for young people most at risk of turning to gangs and crime.
- 3.1.4 **Table 1** below shows the net budget figures for 2016-17 that are included within the MTFS at **Appendix A**, for agreement as part of the recommendations of this report.

Table 1 – Council Budget Requirement and Departmental Cash Limits 2016-17

	£000s
Departments	
Chief Executive's Department	3,678
Children's Services	75,682
Environment and Regeneration	34,642
Finance and Resources	2,098
Housing and Adult Social Services	85,518
Public Health	0
Corporate and Democratic Core (CDC) / Unapportionable Central Overheads (UCO)	15,129
NET COST OF SERVICES	216,747
Net Corporate items	(180)
NET OPERATING EXPENDITURE	216,567
Other Budget Items:	
Transfer to/(from) Reserves	12,555
New Homes Bonus	(15,251)
Other Corporate Grants (estimate)	(2,709)
AMOUNT TO BE MET FROM CORE GOVERNMENT FUNDING AND COUNCIL TAX	211,162

3.2 **GENERAL FUND BUDGET – DETAIL**

Local Government Finance Settlement 2016-17

- 3.2.1 The Local Government Finance Settlement detailed the Council's core Government funding allocation for 2016-17. An analysis is shown in **Table 2** below.

Table 2 – Core Government Funding 2016-17

	2016-17 £m
Revenue Support Grant	52.9
Retained Business Rates	57.5
Top-up Grant	20.5
Total Core Government Funding	130.9

- 3.2.2 Overall, the council's total core government funding will be cut by £13m (9%) in 2016-17 and by £35m (25%) over the next four years.

New Homes Bonus Scheme

- 3.2.3 The Council will receive an estimated £15.2m New Homes Bonus income in 2016-17, directly attributable to the number of new homes built over the past five years.

Health / Social Care Funding

- 3.2.4 The Government is allowing local authorities the flexibility to raise council tax in their area by up to 2.00% above the referendum threshold for each year between 2016-17 and 2019-20 to fund adult social care services (this would raise an estimated additional £1.5m in Islington in 2016-17). In addition to maintaining the Better Care Fund at current mandated levels, the Government will make funding available to local authorities from 2017, which will amount to £1.5 billion in 2019-20, to be included in an improved Better Care Fund.

- 3.2.5 As local authorities have varying capacity to raise council tax, the Government are proposing to allocate the additional funding for the improved Better Care Fund through a separate grant to local authorities, using a methodology which provides greater funding to those authorities which benefit less from the additional council tax flexibility for social care. It is estimated that this could be worth up to an extra £11m to Islington in the

period from 2017-18 to 2019-20, but further details of this will be announced over the medium-term.

- 3.2.6 The Council received a public health grant allocation of £25.8m in 2015-16. This allocation was then reduced by the Government in-year. Based on last year's reduced allocation and the control total, it is expected that the Council will receive £27.3m in 2016-17, reflecting a 2015-16 in-year, like-for-like public health grant cut of £1.7m plus an estimated further cut of £0.6m in 2016-17. The expected overall increase in grant is due to the final part-year new burden transfer of Children's (0 to 5) public health commissioning functions. However, the Government still has not yet confirmed the public health grant allocation for 2016-17. The public health savings in **Appendix B** will be used to offset the expected ongoing £2.3m pressure on the public health budget. The Public Health grant is ring-fenced for spending on public health services.

Children's Services Funding 2016-17

- 3.2.7 The Dedicated Schools Grant (DSG) is a ring-fenced grant for spending on education. The Schools Forum makes recommendations about how the grant awarded to Islington should be allocated to schools and the Council (including the Early Years Service) as appropriate. The distribution of the DSG to local authorities will continue to be set out in three spending blocks: a schools block, a high needs block and an early years block.
- 3.2.8 The Department for Education (DfE) has committed to continuing a minimum funding guarantee in the schools block that ensures no school sees more than a 1.5% per pupil reduction in its 2016-17 budget (excluding sixth form funding and Education Services Grant) compared to 2015-16 and before the Pupil Premium is added. The DSG priorities for 2016-17 are being developed in conjunction with the Schools Forum.
- 3.2.9 The high needs block supports provision for pupils with special educational needs and disabilities up to the age of 25 and alternative provision for pupils who cannot receive their education in schools. Additional top-up funding of £92.5m has been allocated nationally by the DfE to local authorities of which Islington has provisionally been allocated £0.3m.
- 3.2.10 The early years block comprises funding for the 15 hour entitlement for 3 and 4 year olds, the most disadvantaged 2 year olds and the early years pupil premium. The rates per child for this block are being maintained by the DfE at 2015-16 levels.
- 3.2.11 The Pupil Premium is a specific grant to support disadvantaged pupils in mainstream and special schools, Pupil Referral Units, and 14 to 15 year olds in Further Education colleges. It was extended to disadvantaged 3 and 4 year olds in early years provision in 2015-16. It is estimated that total Pupil Premium funding for Islington (including Academies) will be approximately £15.8m in 2016-17, to be announced in early 2016.
- 3.2.12 Education Services Grant (ESG) – The DfE has announced indicative allocations of this grant for 2016-17, with the Council's allocation being provisionally reduced by £0.2m in 2016-17 to £2.1m in line with an overall reduction in this funding stream at a national level.

Statement of Assurance on Schools

- 3.2.13 The Council has a system of audit in place that provides adequate assurance over maintained schools' standards of financial management and the regularity and propriety of their spending. The Council is required to report on the number of maintained schools that have completed the Schools Value Financial Standard (SVFS) by 31st March to the Department for Education by 31st May each year. The SVFS returns are also used by the Council to inform its programme of financial assessment of maintained schools and audit.

Fees and Charges 2016-17

- 3.2.14 Some fees and charges are laid down by statute and are not within the Council's power to vary locally; others are discretionary and are set with Council's approval. The

Council's discretionary fees and charges for 2016-17 are set out at **Appendix C1** and incorporated in the overall revenue budget. Leisure fees and charges are shown separately at **Appendix C2**.

3.2.15 It is the Council's policy to increase its discretionary fees and charges in line with inflation (1.0% at Quarter 3 2015, this being the quarter average) unless a variation is approved by Executive. The relevant extract of the Council's fees and charges policy is set out below:

"There will be an overall annual increase in fees and charges in line with the Retail Price Index (RPI), subject to the following:

- (i) use of the Quarter 3 RPI (All Items)
- (ii) appropriate rounding of charges for the purposes of administration and collection
- (iii) statutory changes to fees and charges being excluded
- (iv) fees and charges on which the Council has or decides to have a specific policy may be varied by report to the Executive

Where the Quarter 3 RPI (All Items) is negative all fees and charges will be frozen, subject to provisions (ii) to (iv) above."

3.2.16 The Council will undertake a consultation in the summer term on new childcare charges to take effect from 1st September 2016. The Executive agreed at its meeting on 14th January 2016 to delegate authority to the Corporate Director of Children's Services, in consultation with the Executive Member for Children and Families, to agree these new charges. The existing childcare charges at **Appendix C1** will remain in force until the new charges are implemented.

3.2.17 Fees and charges in relation to Cemeteries were agreed separately by the Executive on 26th November 2015 and took effect from 1st January 2016.

Local Initiatives Fund

3.2.18 The Local Initiatives Fund is £240k, with £15k being allocated to each ward. Members decide on allocations locally and formal decisions will continue to be taken in-year by the Voluntary and Community Sector Committee.

General Balances and Reserves

3.2.19 The Government has reserve powers under the Local Government Act 2003 to set a minimum level of reserves for which an authority must provide in setting its budget. These powers would only be used where there were grounds for serious concern about an authority and there is no intention to make permanent or blanket provision for minimum reserves under these provisions.

3.2.20 The Section 151 Officer is required to report to the authority, when it is making the statutory calculations required to determine its council tax, on the estimates included in the budget and the adequacy of reserves. The report of the Section 151 Officer is included within **Section 8** of this report. The estimated level of earmarked reserves and general balances for use in 2016-17, after taking into account existing and estimated allocations against these reserves, are shown in **Table 3** below:

Table 3 – Estimated Reserves and General Balances 2016-17

	2016-17 £m
Contingency Reserve	2.0
Housing Benefit Reserve	7.8
Invest to Save Reserve	5.0
Levies Smoothing Reserve	0.8
Redundancy Reserve	3.5
General Fund Balances (excluding schools)	8.6
Schools Balances	11.4
Total	39.1

3.2.21 The 2016-17 budget assumes a one-off contribution from general balances of £2.1m, reflecting the pressure on the Council's revenue budget from front-loaded cuts in Government funding. This takes the level of the Council's general balances down to just over 4% of the net budget requirement, which is still considered prudent. It is recommended that the Council revises the policy on the level of general balances from the 2016-17 budget onwards as follows:

"The policy of the Council is to set a target level of General Fund balances (excluding schools balances) at **4%** of the net budget requirement (excluding schools expenditure) over the course of the medium-term financial strategy. The rationale for this level is based upon an assessment of the level of risk inherent within the Council budget over the medium-term financial planning period. The level of General Fund balances should be adequate to meet working balance requirements and to provide a reasonable allowance for unquantifiable risks that are not already covered within the Council's budgets and any contingency sums. The Chief Finance Officer (Section 151 officer) shall be responsible for reporting to the Council on the adequacy of the reserves and balances."

Corporate Levies

3.2.22 The Council is required to pay levies to a number of other bodies, which must be met from within the overall budget requirement. The latest 2016-17 levy estimates are detailed in **Table 4**.

Table 4 – Levy Estimates 2016-17

Levies by Body	2016-17 Budget £m
Concessionary Fares (Freedom Pass)	11.842
North London Waste Authority	7.753
Lee Valley Regional Park Authority	0.222
Traffic and Control Liaison Committee	0.270
Inner London North Coroners Court	0.304
London Pensions Fund Authority	1.209
Environment Agency (Thames Region)	0.168
London Boroughs Grants Scheme	0.220
Total	21.988

4 THE HOUSING REVENUE ACCOUNT

Housing Revenue Account (HRA) Overview

- 4.1 The HRA MTFs covers the cost of managing and maintaining council owned housing stock, servicing debt and contributing towards the long term investment in the stock, all of which is funded primarily from rents and tenants' and leaseholders' service charges.
- 4.2 Since the General Election 2015, the government has announced a number of measures contained in the Housing Bill and the Welfare Reform and Work Bill which will have a significant impact on Housing and the HRA in Islington.

Housing Bill

- 4.3 The main elements of the bill which will affect Housing and the financial position of the HRA are:
- The extension of the Right-to-Buy to housing association tenants.
 - Local Authorities will be required to dispose of high-value council properties when they become vacant, and the receipts generated will fund the housing association Right-to-Buy extension discounts and the building of more affordable homes, not necessarily in the same area.
 - Tenants on higher household incomes (over £40,000 in London and over £30,000 outside London) will be required to pay market (or near-market) rents. The

additional rental income generated will not be retained by Local Authorities, but will instead be payable to the Exchequer.

Welfare Reform and Work Bill

4.4 The main elements of the bill which will affect Housing and the financial position of the HRA are:

- Rents for social housing will be reduced by 1% a year for four years.
- The household benefit cap will be reduced to £23,000 in London.
- Reduction on the time Housing Benefit Claims can be backdated from 6 months to 4 weeks.

4.5 The HRA MTFs is estimated to be balanced over the medium term, accommodating the impact of the Housing Bill and the Welfare Reform and Work Bill. The proposed HRA budget for 2016-17 and the forecast budgets over the medium term, based on current knowledge and assumptions, are shown within the HRA MTFs at **Appendix D1**, with proposed 2016-17 savings at **Appendix D2**.

4.6 In order to mitigate the financial impact of the Government's proposals, the following key measures have been taken:

- Rescheduling current HRA borrowing over the term of the 30 year Business Plan.
- The New Build Capital Programme will not be subsidised from significant HRA revenue contributions. Instead, funding will be limited primarily to open market sale receipts, Right-to-Buy receipts and other receipts from disposals.
- A programme of HRA savings have been incorporated into the HRA's Business Plan.

Rental Income and other HRA Fees and Charges

4.7 HRA 2016-17 rents will be set in accordance with the proposals set out in the Welfare Reform and Work Bill.

LBI-managed general needs properties (excluding new build properties):

4.8 **Table 5** below sets out proposed rent changes for existing tenancies – 2015-16 actual rents less 1%

Table 5 – Existing Tenancies Weekly Rent 2016-17

	Proposed 2016-17
Average Weekly Rent 2015-16	£111.77
Decrease (£)	-£1.12
Decrease (%)	-1%
Average Weekly Proposed Rent	£110.65

4.9 **Table 6** below sets out proposed rent changes for properties re-let during 2016-17 – the 2016-17 rent will be the higher of either 2015-16 target rent less 1% or 2015-16 actual rent less 1%

Table 6 – Re-Let Properties Weekly Rent 2016-17

	Proposed 2016-17
Average Weekly Target Rent 2015-16	£117.79
Decrease (£)	-£1.18
Decrease (%)	-1%
Average Weekly Proposed Target Rent	£116.61

LBI-managed general needs new build properties:

- 4.10 Existing tenancies (currently at 2015-16 target rent) – 2016-17 rents will reduce by 1%.
- 4.11 Re-Lets and new-lets in 2016-17 - Rents will be set at 2016-17 target rent (i.e. 2015-16 target plus Consumer Price Index (CPI) (minus 0.1% at September 2015) plus 1%.

LBI-managed non-general needs properties (e.g. reception centres and special needs properties):

- 4.12 Existing tenancies and re-lets – continue with current Council Policy: 2016-17 rents increase by CPI (minus 0.1% at September 2015) plus 1%.

Partners for Islington managed properties:

- 4.13 The Government's impact assessment in relation to the Welfare Reform and Work Bill indicates that properties managed under a Private Finance Initiative (PFI) scheme will be excluded from the 1% rent reduction. As such, it is proposed that existing Council policy continues to apply to all PFI properties managed by Partners for Islington.
- 4.14 This means that the principles of rent restructuring will continue to apply and that PFI properties not currently at target rent will move to the 2016-17 target rent subject to the affordability cap of the 2015-16 rent plus CPI (minus 0.1% at September 2015) plus 1% plus £2.
- 4.15 However, PFI properties already at target rent will simply increase by CPI (minus 0.1% at September 2015) plus 1%.
- 4.16 PFI property re-lets will be set at 2016-17 target rents (i.e. the 2015-16 target rent plus CPI (minus 0.1% at September 2015) plus 1%).
- 4.17 **Table 7** below sets out proposed rent changes for PFI properties (existing tenancies not yet at target rent).

Table 7 – Existing Tenancies (not at target rent in 2015-16)
PFI Properties Weekly Rent 2016-17

	Proposed 2016-17
Average Weekly Rent 2015-16	£132.81
Increase (£)	£2.33
Increase (%)	1.8%
Average Weekly Proposed Rent	£135.14

- 4.18 **Table 8** below sets out proposed rent changes for PFI properties (re-lets and existing tenancies already at target rent).

Table 8 – Re-Lets & Existing Tenancies (at target rent in 2015-16)
PFI Properties Weekly Rent 2016-17

	Proposed 2016-17
Average Weekly Target Rent 2015-16	£147.08
Increase (£)	£1.32
Increase (%)	0.9%
Average Weekly Proposed Target Rent	£148.40

- 4.19 The Welfare Reform and Work Bill is currently at the Committee Stage in the House of Lords. The rent policy is based on the current reading of the Bill and concomitant impact assessment. However, if there are any changes in these, the rent policy will be amended accordingly.
- 4.20 **Other HRA Fees and Charges** – These are set out at **Appendix D3** and the explanations as to the increases and reductions are set out in the appendix notes pertaining to the individual charges.

5 CAPITAL PROGRAMME

- 5.1 The 2016-17 to 2018-19 capital programme is summarised in **Table 9** below and shown in full at **Appendix E1**. This will deliver projects of £368m over the next three years and includes the continuation of existing programmes of investment in new homes (£161m), housing major works and improvements (£110m) and education facilities (£35m).

Table 9 – Capital Programme 2016-17 to 2018-19

	2016-17 £000	2017-18 £000	2018-19 £000	Total £000
Housing and Adult Social Services	60,404	102,946	108,177	271,527
Children's Services	29,891	5,559	0	35,450
Environment and Regeneration	26,928	18,724	10,973	56,625
Finance and Resources	1,500	1,500	1,500	4,500
Total Capital Programme	118,723	128,729	120,650	368,102

- 5.2 While uncertainty surrounds the level and timing of capital receipts estimated to be available over the medium-term, the Council is forecasting that there will be sufficient resources to fund the 2016-17 programme and the provisional programme for 2017-18 to 2018-19. The Corporate Director of Finance and Resources will continue to apply capital resources to fund the ongoing capital programme in the most cost-effective way. The Council does not currently plan to use the new flexibility to apply capital receipts towards revenue costs of reform projects.
- 5.3 A schedule of planned Traffic and Transportation schemes in 2015-16 and related decision-making responsibilities is provided at **Appendix E2**.

6 TREASURY MANAGEMENT AND INVESTMENT STRATEGY, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY

- 6.1 The Annual Treasury Management and Investment Strategy 2016-17 (including external debt and treasury management Prudential Indicators) was considered by Audit Committee on 28th January 2016. This is included at **Appendix F1** with additional capital Prudential Indicators at **Appendix F2**.
- 6.2 To ensure that capital expenditure funded by borrowing is ultimately financed, the Council is required to make a Minimum Revenue Provision (MRP) within the revenue budget each year for the repayment of debt. This is designed to ensure that the MRP is charged over a period that is commensurate with the period over which the capital expenditure that gave rise to the debt provides benefits.
- 6.3 The Council will charge MRP over the period reasonably commensurate with the period implicit in the determination of the revenue support. The Council has determined that by following the Regulatory Method a reasonable estimate would be on a 4% reducing balance. The result is a total estimated MRP liability of £4.1m in 2016-17.

7 COUNCIL TAX 2016-17 (INCLUDING STATUTORY CALCULATIONS)

Background

- 7.1 The local government finance settlement gave a specific power to local authorities to raise an additional 2.00% council tax precept specifically to cover additional social care costs. In addition to a proposed 1.99% increase in council tax, the 2016-17 budget includes a further 2.00% increase as a result of applying this social care precept. The overall increase (3.99%) equates to an extra 75p per week for the average Band D property.

Islington Tax Base 2016-17 and Collection Fund Forecast

- 7.2 On 28th January 2016, the Audit Committee agreed a 2016-17 tax base of 75,339.6 Band D properties for the Council's whole area, and 44.4 Band D properties for the Lloyd Square Garden area. The tax base figures assume a collection rate of 97.0% for the Council's whole area and 97.0% for Lloyd Square Garden Area.
- 7.3 This tax base incorporates the Council decision on 3rd December 2015 to leave unchanged for 2016-17 the existing Council Tax Support Scheme
- 7.4 Under the regulations prescribed under Section 99 of the Local Government Finance Act 1988, a billing authority must calculate the amount of any deficit or surplus on the Collection Fund (excluding those items relating to community charges and non-domestic rates) on the 15th January each year, and notify the precepting authorities of the amount to be added or refunded to their 2016-17 precepts within seven days of the calculation. At 15th January 2016, it was forecast that at 31st March 2016 the council tax account in the Collection Fund will be £3,977k in surplus, of which £3,058k is the Council's and £919k is the Greater London Authority's (GLA) share.

Islington Council Tax 2016-17

- 7.5 Sections 31A and 31B of the amended Local Government Finance Act (LGFA) 1992 require the Council to calculate its gross expenditure, gross income and council tax requirement. For these purposes, HRA expenditure and income is included even though it has no effect on council tax, and the gross expenditure figure includes special expenses relating to part only of the Council's area. The calculation of the 2016-17 council tax requirement is set out in **Table 10** below.

Table 10 – Section 31A (amended LGFA 1992) Calculation 2016-17

	£
Aggregate of the amounts which the Council estimates for items set out in Section 31A (2) (a) to (f) of the LGFA 1992 (A)	959,410,399.54
Aggregate of the amounts which the Council estimates for items set out on Section 31A (3) (a) to (d) of the LGFA 1992 (B)	(882,536,338.00)
Calculation of the council tax requirement under Section 31A (4), being the amount by which the sum aggregated at (A) above exceeds the aggregate at (B) above	76,874,061.54

- 7.6 The calculation of the relevant (average) 2016-17 council tax per Band D property is set out in **Table 11** below.

Table 11 – Section 31B (amended LGFA 1992) Calculation 2016-17

Council Tax Requirement	£76,874,061.54
Council Tax Base	75,339.6
2015-16 Relevant Band D Council Tax	£1,020.37
Increase Compared to 2015-16	3.99%

- 7.7 The Localism Act 2011 abolished council tax capping but instead provides for council tax rises at or above a certain threshold (4.00% in 2016-17, including the 2.00% social care precept) to be subject to a local referendum giving local residents a power to approve or veto an 'excessive' increase. The proposed 3.99% increase (including the 2.00% social care precept) in the relevant amount of Band D council tax in 2016-17 is not 'excessive' in terms of the Localism Act. The Council must formally determine this at the time of setting its council tax for 2016-17 and a recommendation to that effect is included in this report.

- 7.8 Section 34 of the LGFA 1992 requires additional calculations where special items relate to part only of the Council's area (for Islington, the Lloyd Square Garden Committee special expense). The calculation of the basic amount of council tax for dwellings in Islington to which no special item relates (i.e. outside of the Lloyd Square Garden area) is shown in **Table 12** below.

Table 12 – 2016-17 Basic Council Tax for All Other Parts of the Council's Area

Council Tax Requirement (including Lloyd Square Garden Committee special expense)	£76,874,061.54
Less Lloyd Square Garden Committee special expense	(£16,061.54)
Council Tax Requirement (excluding special expenses)	£70,858,000.00
Council Tax Base	75,339.6
2016-17 Basic Band D Council Tax for All Other Parts of the Council's Area	£1,020.15
Increase Compared to 2015-16	3.99%

- 7.9 The Lloyd Square Garden Committee special expense is £16,061.54 in 2016-17, an increase of 10% compared to 2015-16. When this is divided by the Lloyd Square Garden area Band D taxbase (44.4), it gives a charge of £361.75 per Band D property for 2016-17. This will be charged to Lloyd Square Garden area dwellings in addition to the basic Islington Band D council tax of £1,020.15 for all other parts of the Council's area.
- 7.10 The basic Islington council tax for each valuation band for the Lloyd Square Garden area and all other parts of the Council's area are shown in **Table 13** below. These amounts are calculated by multiplying the relevant Band D council tax amount per property by the proportions set out in Section 5(1) of the LGFA 1992.

Table 13 – Basic Islington Council Tax 2016-17

Valuation Bands	Lloyd Square Garden Area (£)	All Other Parts of the Council's Area (£)
A	921.26	680.10
B	1,074.81	793.45
C	1,228.35	906.80
D	1,381.90	1,020.15
E	1,688.98	1,246.85
F	1,996.07	1,473.55
G	2,303.16	1,700.25
H	2,763.79	2,040.30

7.11 The 2016-17 GLA precept for each valuation band is shown in **Table 14** below.

Table 14 – GLA Precept 2016-17

Valuation Bands	GLA (£)
A	184.00
B	214.67
C	245.33
D	276.00
E	337.33
F	398.67
G	460.00
H	552.00

7.12 In accordance with Section 30(2) of the LGFA 1992, **Table 15** below shows the total amount of 2016-17 council tax (including GLA precept) for each valuation band over each of the Council's areas.

Table 15 – Total Islington and GLA Council Tax 2016-17

Valuation Bands	Lloyd Square Garden Area (£)	All Other Parts of the Council's Area (£)
A	1,105.26	864.10
B	1,289.48	1,008.12
C	1,473.68	1,152.13
D	1,657.90	1,296.15
E	2,026.31	1,584.18
F	2,394.74	1,872.22
G	2,763.16	2,160.25
H	3,315.79	2,592.30

8 MATTERS TO CONSIDER IN SETTING THE BUDGET

COMMENTS OF THE SECTION 151 OFFICER

8.1 The Council, when determining the budget and thereby the level of council tax, must take into account the report of its Section 151 Officer. The report must comment on the robustness of the estimates included in the budget and parallel consideration of the

adequacy of the Council's proposed reserves. This section of the report includes consideration of these specific areas and enables the authority to discharge its duty to take account of the statutory report under Section 25(2) of the Local Government Act 2003.

- 8.2 The process for challenging, compiling and collating the budget begins in April prior to the year for which the council tax is being set. The process involves all of the spending departments, and assumptions are scrutinised throughout the year. It is the thoroughness of this process which provides the assurance that all strategic, operational and financial risks facing the authority have been taken into account, as far as they are reasonably anticipated to be incurred by the Council in the next financial year. It is the opinion of the Section 151 Officer that the estimates for 2016-17 have been prepared on a robust basis.
- 8.3 In setting the level of general reserves and balances, account has been taken of the key financial assumptions underpinning the budget, the views of the Council's auditors, the level of earmarked reserves and provisions, and the risks facing the Council over the medium-term. The MTFs assumes contributions such that over the planning period the Council is forecast to attain a target of general balances at 4% of the budget requirement. This reflects use of £2.1m of general balances to support the 2016-17 general budget following front-loaded, significant cuts in Government funding. Maintaining general balances at 4% of the budget requirement is considered a prudent position over the medium-term.

COMMENTS OF THE MONITORING OFFICER

- 8.4 This report sets out the basis upon which a recommendation will be made for the adoption of a lawful budget and the basis for the level of the council tax for 2016-17. It also outlines the Council's current and anticipated financial circumstances, including matters relating to the General Fund budget and MTFs, the HRA, the capital programme, and borrowing and expenditure control.
- 8.5 The setting of the budget and council tax by Members involves their consideration of choices. No genuine and reasonable options should be dismissed out-of-hand and Members must bear in mind their fiduciary duty to the council taxpayers of Islington.
- 8.6 Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Where a service is derived from a statutory power and is in itself discretionary that discretion should be exercised reasonably.
- 8.7 The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 8.8 Under the constitutional arrangements, the setting of the Council budget is a matter for the Council, having considered recommendations made by the Executive, and having taken into account comments made by the Policy and Performance Scrutiny Committee.

RESIDENT IMPACT ASSESSMENT

- 8.9 The Equality Act 2010 sets out the requirement for the Council to pay due regard in the exercise of its functions to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
 - Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - Foster good relations between people who share a protected characteristic and those who do not.
- 8.10 A Resident Impact Assessment (RIA) of the 2016-17 budget proposals is set out at **Appendix G**. It is supplemented at a departmental level by detailed RIAs of major proposals. These demonstrate that the Council has met its duties under the Equality Act 2010 and has taken account of its duties under the Child Poverty Act 2010.
- 8.11 It is difficult to make savings on the scale required without any impact on residents, and there will inevitably be some impact on particular groups, including those with protected characteristics as defined by the Equality Act. The Council is not legally obligated to reject savings with negative impacts on any particular groups but must consider carefully and with rigour the impact of its proposals on the Public Sector Equality Duty (as set out above), take a reasonable and proportionate view about the overall impact on particular groups and seek to mitigate negative impacts where possible. In this context, the Council's proposals for achieving savings are considered to be reasonable overall and take adequate account of the three duties set out under the Equality Act.
- 8.12 Members are asked to note the Resident Impact Assessment.

PAY POLICY STATEMENT 2016-17

- 8.13 Section 38 of the Localism Act 2011 requires local authorities to publish an annual 'Pay Policy Statement', setting out their policies in respect of chief officer remuneration and other specified matters. Regard must be had to guidance to be published by the Secretary of State in preparing the statement, which must be approved by full Council. The Council is then constrained by its pay policy statement when making determinations on chief officer pay, although the statement may be amended at any time by a further resolution of the full Council.
- 8.14 The Council's proposed Pay Policy Statement for 2016-17 is provided at **Appendix H**.

Final report clearance

Signed by



17 February 2016

Executive Member for Finance and Performance

Date

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