



<b>Report to:</b>	<b>EXECUTIVE CABINET</b>
<b>Date:</b>	13 February 2019
<b>Executive Member/Officer of Strategic Commissioning Board</b>	Councillor Brenda Warrington – Executive Leader Kathy Roe – Director Of Finance – Tameside & Glossop CCG and Tameside MBC
<b>Subject:</b>	<b>BUDGET 2019/20</b>
<b>Report Summary:</b>	<p>The report sets out the detailed revenue budget proposals for 2019/20 and the Medium Term Financial Plan for the 5 year period 2019/20 to 2023/24, including the proposed council tax increase for 2019/20.</p> <p>The budget report proposes a balanced budget for 2019/20, subject to the delivery of identified savings, an increase in Council Tax and the use of £9.3m of reserves to fund additional investment in Children’s Services improvement.</p>
<b>Recommendations:</b>	That the recommendations outlined in <b>Section 13</b> of the report are approved.
<b>Links to Community Strategy</b>	The Council Budget aligns with the priorities of the Corporate Plan and Community Strategy.
<b>Policy Implications</b>	The Council budget reflects the policy choices that the Council intends to pursue to support the Corporate Plan and Medium Term Financial Plan.
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	As set out in section 12.
<b>Risk Management:</b>	As set out in section 3 and <b>Appendix 5</b> .
<b>Access to Information :</b>	<p>Background papers relating to this report can be inspected by contacting :</p> <p>Tom Wilkinson, Assistant Director of Finance, Tameside Metropolitan Borough Council</p> <p> Telephone: 0161 342 5609</p> <p> e-mail: <a href="mailto:tom.wilkinson@tameside.gov.uk">tom.wilkinson@tameside.gov.uk</a></p>

## 1. BACKGROUND

- 1.1. In February and March 2018, the Strategic Commission agreed 2018/19 budgets for the Tameside and Glossop Clinical Commissioning Group (CCG) and Tameside Council.
- 1.2. These budgets were set in the context of continued funding cuts in local government, and significant growing demographic and demand pressures across the economy. Children's Social Care and Continuing Health Care were identified as particularly significant pressures and budgets included significant Targeted Efficiency Programme (TEP) savings targets which need to be delivered to achieve a balanced position by 31 March 2019.
- 1.3. During 2018/19, the Strategic Commission has been reporting on the financial position of the Tameside Health Economy as a whole in monthly Integrated Commissioning Fund (ICF) financial monitoring reports. As at the end of December 2018, the Strategic Commission is forecasting that the CCG will deliver a balanced budget and an overspend of £449k on Council Budgets.

**Table 1: Strategic Commission 2018/19 Budget – Forecast Outturn**

2018/19 Forecast Position as at 31 December 2018					
Forecast Position £000's	Expenditure Budget	Income Budget	Net Budget	Net Forecast	Net Variance
Acute	202,819	0	202,819	203,685	(867)
Mental Health	32,601	0	32,601	33,258	(657)
Primary Care	83,003	0	83,003	82,500	504
Continuing Care	14,104	0	14,104	16,523	(2,419)
Community	30,006	0	30,006	30,191	(185)
Other CCG	28,628	0	28,628	25,003	3,624
CCG TEP Shortfall (QIPP)	0	0	0	0	0
CCG Running Costs	5,209	0	5,209	5,209	0
Adults	82,653	(42,172)	40,480	40,276	204
Children's Services	78,378	(29,048)	49,330	56,792	(7,462)
Individual Schools Budgets	116,329	(116,329)	0	0	0
Population Health	16,912	(680)	16,232	16,160	72
Operations and Neighbourhoods	76,306	(25,973)	50,333	51,265	(932)
Growth	42,645	(34,800)	7,846	10,256	(2,410)
Governance	88,619	(79,807)	8,812	7,711	1,101
Finance & IT	6,103	(1,550)	4,553	4,263	290
Quality and Safeguarding	367	(288)	79	94	(15)
Capital and Financing	10,998	(1,360)	9,638	8,058	1,580
Contingency	4,163	(6,823)	(2,660)	(7,712)	5,052
Corporate Costs	8,726	(6,857)	1,870	(201)	2,071
<b>Integrated Commissioning Fund Total</b>	<b>928,569</b>	<b>(345,686)</b>	<b>582,883</b>	<b>583,332</b>	<b>(449)</b>
CCG Expenditure	396,370	0	396,370	396,370	0
TMBC Expenditure	532,199	(345,686)	186,513	186,962	(449)
<b>Integrated Commissioning Fund</b>	<b>928,569</b>	<b>(345,686)</b>	<b>582,883</b>	<b>583,332</b>	<b>(449)</b>

- 1.4. This overall forecast position masks a number of significant pressures and overspends in some areas, including significant forecast overspends in Children's Services (£7,462k), Continuing Care (£2,419k) and Growth (£2,410k) which have been offset by one-off additional income and underspends in other areas. Many of the mitigations to the forecast overspends are one-off in nature, which means the budget pressures remain for 2019/20.

## 2. PURPOSE OF THIS REPORT

- 2.1. The purpose of this report is to set out and seek approval for the setting of a balanced budget for the Council for the financial year 2019/20, and forecasts for the years up to 2023/24. Whilst the Strategic Commission will continue to monitor and report on the financial position of the economy as a whole via the Integrated Commissioning Fund reports, the statutory requirements and timetables for the approval of Council and CCG budgets differ. Council funding for 2019/20 was announced in December 2018 and the Council must set the budget and agree the level of Council Tax by 28 February 2019. CCG funding allocations were received in January 2019 and budgets must be agreed by the end of March 2019.
- 2.2. The Council is required by law to set a balanced budget for the upcoming financial year. The proposals set out in this report and the detailed appendices propose a balanced Council budget for 2019/20, subject to the delivery of identified savings, agreement of a proposed increase in Council Tax, and the use of £9,300k of reserves to support improvement in Children's Services. **Appendix 1** provides a summary of the Council budget for 2019/20 and forecasts for future years.
- 2.3. Whilst the CCG funding allocations and budget proposals for 2019/20 have not been finalised, indicative figures suggest that the CCG will face a funding shortfall of £2,996k in 2019/20 which will require the identification of further savings. The combined forecast position for the Strategic Commission for 2019/20 and beyond is summarised in table 2 below.

**Table 2: Strategic Commission Total Budget Forecast 2019/20 to 2023/24**

Strategic Commission Total Budget					
	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
Total Gross Expenditure Budget	950,918	951,929	953,381	957,128	962,186
Total Gross Income Budget	(336,784)	(334,816)	(334,816)	(334,816)	(334,816)
Total Resources Available	(611,138)	(617,984)	(628,536)	(643,373)	(657,735)
<b>Forecast Gap</b>	<b>2,996</b>	<b>19,561</b>	<b>26,542</b>	<b>30,735</b>	<b>36,157</b>

- 2.4. The remainder of this report and the detailed appendices are focused purely on the Council Budgets. The CCG budgets for 2019/20 will be approved by the Strategic Commissioning Board in March 2019 and are subject to a separate report.

## 3. SUMMARY OF THE BUDGET PROPOSALS

- 3.1. The 2018/19 budget report included forecasts for 2019 to 2022 which identified a budget gap of £4,007k in 2019/20. This gap assumed that savings of £5,893k would be delivered over the two years 2018/19 and 2019/20, and that Children's Services expenditure would remain within budget for 2018/19, and reduce over the following two years.

- 3.2. Since the approval of the 2018/19 budget, significant additional pressures have emerged which increased the forecast gap for 2019/20 and beyond. In particular, some of the planned savings for 2018/19 have not been delivered and demand for Children's Social Care services has not stabilised, but continued to grow, with the service forecasting to exceed the approved budget by £7,462k in 2018/19.

**Table 3: Gap between budget requirement and resources for 2019/20**

<b>Gap between budget requirement and resources for 2019/20</b>	<b>Gap 2019/20 £000</b>
<b><u>February 2018 Budget reported gap:</u></b>	
Pressures	8,224
Savings and other budget reductions	(7,575)
Additional Grant Income	(4,444)
Reduction in resources (excluding reserves)	1,600
Planned reduction in use of reserves	6,202
<b>Total Gap reported in February 2018</b>	<b>4,007</b>
<b><u>January 2019 position</u></b>	
Additional Pressures identified since February 2018	11,942
Additional Savings and Income	(3,266)
Net change to grant income	(916)
Increase in resources before Council Tax Increase	(5,254)
Increase in planned use of reserves	(3,000)
<b>Current Gap before Council Tax Increase</b>	<b>3,513</b>

### **Pressures and growth**

- 3.3. The Council continues to face significant cost pressures from demographic growth and increased costs. In addition, some of the savings identified in 2018/19 have proven too difficult to deliver which increases the budget pressures for 2019/20. The key cost pressures for 2019/20 are summarised in tables 4 and 5 below, with further detail in **Appendix 2** and Directorate **Appendices 7 to 15**.

**Table 4: Analysis of Total Pressures 2019/20**

<b>Pressures 2019/20</b>	<b>£000s</b>
Staffing related costs	4,958
Demographic pressures	9,961
Inflationary pressures	3,285
Reduction in fees/charges/income	524
Grant reduction	743
Other service pressures	695
<b>Total service pressures</b>	<b>20,166</b>

**Table 5: Pressures by Service Area for 2019/20**

<b>Pressures 2019/20</b>	<b>£000s</b>	<b>Further Detail</b>
Adults	1,401	<i>Appendix 7</i>
Children's - Social Care	9,300	<i>Appendix 8</i>
Children's - Education	631	<i>Appendix 9</i>
Population Health	67	<i>Appendix 10</i>
Growth	741	<i>Appendix 11</i>
Operations & Neighbourhoods	1,501	<i>Appendix 12</i>
Governance	903	<i>Appendix 13</i>
Finance and IT	185	<i>Appendix 14</i>
Corporate	5,437	<i>Appendix 15</i>
<b>Total</b>	<b>20,166</b>	

### **Savings and additional income**

- 3.4. The budget for 2019/20 includes a number of budget reductions due to additional income and delivery of savings, including the full year effect of savings identified in previous years. The nature of savings is summarised below with further information contained in **Appendix 3** and **Appendices 7 to 15**.

**Table 6: Savings and Additional Income 2019/20**

<b>Savings and Additional Income</b>	<b>2019/20 £000s</b>
Full year effect of savings identified in prior year	(479)
New savings to be delivered by management	(4,047)
Vacancy factor	(2,380)
Additional Grant Income	(5,859)
Additional Fees & Charges Income	(719)
<b>Total service budget reductions</b>	<b>(13,484)</b>

- 3.5. The budget process for 2018/19 had identified a number of savings that would deliver additional savings of £1,275k in 2019/20. However, a number of savings planned for 2018/19 have not been delivered, resulting in a pressure of £796k, which reduces the **full year effect of savings identified in the prior year** to **£479k**.
- 3.6. **New savings to be delivered by management of £4,047k** have been identified for 2019/20. Proposed savings have been subject to robust review and challenge by finance, Senior Officers and Members and this review process will continue to monitor delivery of savings and identify new savings for future years. Savings for 2019/20 are summarised in table 7 below, with further detailed analysis of savings in **Appendix 3** and in Directorate **Appendices 7 to 15**.

**Table 7: Savings by Directorate 2019/20**

Directorate	Saving Forecast £000s	Further Detail
	19/20	
Adults	935	<i>Appendix 7</i>
Children's - Social Care	0	<i>Appendix 8</i>
Children's - Education	235	<i>Appendix 9</i>
Finance & IT	62	<i>Appendix 14</i>
Governance	175	<i>Appendix 13</i>
Operations and Neighbourhoods	55	<i>Appendix 12</i>
Growth	62	<i>Appendix 11</i>
Population Health	123	<i>Appendix 10</i>
Corporate	2,400	<i>Appendix 15</i>
<b>Totals</b>	<b>4,047</b>	

- 3.7. A '**vacancy factor**' of **£2,380k** has been included in the budget for 2019/20. There is almost always a gap between the date that an employee leaves and the date that a replacement starts work. This lapse in time is caused by the operation of similar notice periods in similar professions and most large organisations make assumptions on how much will be saved through this gap. Historically, service areas have consistently underspent against staffing budgets and therefore an assumed vacancy factor has been based on this past experience, and is deemed to be prudent and realistic and therefore not affect the delivery of services.
- 3.8. **Additional grant income** of **£5,859k** is forecast in the budget for 2019/20. This consists of growth in the Better Care Fund in Adults of £3,891k and the additional one off grant for Social Care of £1,968k announced in the budget in October 2018. The additional Social Care grant has been allocated to help address the pressures in Children's Services.
- 3.9. **Fees and charges** have been reviewed to ensure that they are set at appropriate levels and are comparable to similar authorities across Greater Manchester. It is assumed that fees and charges will be increased by a minimum of 2.5%, unless there are indications that the market conditions require a greater or lesser increase. In addition, a number of fees and charges are set nationally and cannot be influenced by the Council. **Additional income** of **£719k** is forecast in 2019/20. **Appendix 21** sets out the proposed fees and charges for 2019/20 and the proposed increase from 2018/19 where relevant.

### **Resourcing changes**

- 3.10. The Council identifies a 'Net' budget requirement which consists of the gross expenditure budgets, less the gross income budgets for service specific income including fees, charges and specific government grants. This net budget requirement is then financed from 'resourcing', which consists of non-service specific public income such as business rates, general grants, reserves and Council Tax.
- 3.11. 2019/20 is the fourth and final year of a four year funding settlement for the Council, agreed with the Government. This four year settlement has provided the Council with some certainty over funding levels, but has nonetheless resulted in year on year funding reductions. The 2019/20 resourcing assumptions are based on the information included in the provisional 2019/20 Local Government Finance Settlement announced in December 2018. These figures will be confirmed in February 2019. Beyond 2020, assumptions have been made based on intelligence gathered from the HM Treasury's budget in October 2018. The funding for local government is expected to remain broadly flat, with the

continued reduction in central government support being compensated by increasing local taxes, specifically business rates and council tax.

- 3.12. **Appendix 4** provides further detail on the resources available to fund the budget. The total net budget requirement for the Council in 2019/20 is £196,803k. Before any increase in Council tax levels, the resource available in 2019/20 is £193,290k, leaving a gap of £3.513m.
- 3.13. The resourcing is based on the following key assumptions:
- The continuation of the 100% retention pilot for Business Rates income in 2019/20, with no significant deterioration in the business rates yield. Top up grant and mandatory relief reimbursement grant is paid in line with the provisional local government finance settlement.
  - Improved Council Tax collection rates are sustained, and forecast growth in the number of properties in the base is in line with forecasts for 2019/20. No unforeseen significant losses on Council Tax are experienced that impact on the Collection Fund Surplus.
  - The budget is supported by the use of £9,300k of reserves to support improvement in Children's Services.

#### **Robustness of the budget estimates**

- 3.14. The Council is required by law to set a balanced budget for the upcoming financial year. This balanced budget must be based on sound and sustainable assumptions about income and expenditure, the delivery of savings and use of reserves.
- 3.15. Under Section 25 of the Local Government Act 2003, the section 151 officer is required to prepare a statement on the adequacy of the proposed financial reserves and the robustness of the budget estimates.
- 3.16. The Director of Finance (Section 151 Officer) statement on the robustness of the budget estimates is set out in **Appendix 5**.
- 3.17. The statement concludes that in the light of the risk assessment and the details of the budget as set out in this report, which are based on the best information available at the time, and the strength of the Council's Internal Control Systems, it is the opinion of the Director of Finance (Section 151 Officer) that the budget estimates for 2019/20 are robust, and the level of reserves adequate.
- 3.18. This statement is in compliance with Section 25 of the Local Government Act 2003. This is not a guarantee that spending will be within every budget line but it is reasonable to believe that the expenditure can be contained within the overall resource envelope agreed by the Council.
- 3.19. Section 26 of the Local Government Act 2003, places a duty on the Section 151 Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget. **The Director of Finance is recommending a proposed minimum general fund balance of £28.2m from 1 April 2019**, which is higher than in previous years, reflecting the increased risk profile facing the Council. Further information is set out in the reserves strategy in **Appendix 6**.

#### **4. COUNCIL TAX**

- 4.1. After taking account of budget pressures, additional income and savings identified for delivery in 2019/20, the total net budget requirement for the Council is £196,803k. Before any increase in Council tax levels, the resource available in 2019/20 is £193,290k, leaving a gap of £3,513k.
- 4.2. **Appendix 4** provides further detail on resourcing and Council Tax. The gap of £3,513k can be closed through an increase in Council Tax of 3.99%. This is made up of a 1% for the Adult Social Care Precept and a 2.99% general increase in Council Tax.
- 4.3. For a typical band A property in Tameside a 3.99% increase in Council Tax will equate to an increase of £37.58 per year, or 72 pence per week.

## **5. BUDGET CONSULTATION**

### **Budget Conversation**

- 5.1. It is important that Tameside and Glossop Strategic Commission (Tameside Council and NHS Tameside and Glossop Clinical Commissioning Group) understand the priorities of the public – local residents, businesses, patients and service users. A public engagement exercise was launched on 5 December 2018 and ran until 29 January 2019 to understand their priorities for spending within the context of the financial challenges facing public services. The conversation document is included at **Appendix 16**. This was the first time an engagement exercise focussing on identifying the priorities of the public in terms of the budget has been undertaken by the Strategic Commission jointly as two organisations as opposed to the Council alone.
- 5.2. The engagement took the form of a conversation with the public on providing sustainable public services for the future, and encouraging residents to see themselves as citizens, not just consumers of services. The public were encouraged to leave comments and feedback through the Big Conversation including ideas and suggestions for saving money and improving services. The conversation was also supported with attendance at bespoke and existing meetings and forums, plus an extensive communications campaign. In addition, the feedback from all engagement activity across the last 18 months has been reviewed to identify key themes and further inform the budget setting. The full findings are the subject of a separate report on this agenda

### **Statutory Consultation**

- 5.3. The Council also has a statutory duty to consult with businesses and other representatives of non-domestic ratepayers on its annual spending proposals. Businesses have had an opportunity to take part in the budget conversation, and this is being supported by a further process of sharing the Executive Cabinet budget 2019/20 report when published with non-domestic ratepayers with a deadline of 18 February 2019 for them to provide any comments which can then be considered in the report to Full Council.

### **Council Scrutiny**

- 5.4. Members of the Council's two scrutiny committees were also invited to consider this year's budget position and the proposals set out in this report.

## **6. LOOKING FORWARD – THE FIVE YEAR PLAN**

- 6.1. Whilst the budget proposals for 2019/20 present a balanced position (after Council tax increases) the projected gap for 2020/21 and beyond is significant. This is due in part to the expected funding reductions and significant uncertainty around the allocation of Local Government Funding after 2019, but is also driven by forecast demographic and other cost pressures, particularly in Adults and Children's services. The scale of this budget gap in

future years requires immediate action to ensure transformational changes can be achieved.

**Table 8: Five year Council budget forecast**

	2019/20 '£000	2020/21 '£000	2021/22 '£000	2022/23 '£000	2023/24 '£000
<b>Proposed total budget</b>	<b>196,803</b>	<b>204,848</b>	<b>206,294</b>	<b>210,037</b>	<b>215,089</b>
<b>Total resources</b>	<b>(196,803)</b>	<b>(189,000)</b>	<b>(183,857)</b>	<b>(183,870)</b>	<b>(184,045)</b>
Previous year's (surplus)/deficit	0	0	15,847	22,437	26,167
Current year (surplus)/deficit	0	15,847	6,590	3,730	4,877
<b>Cumulative (surplus)/deficit</b>	<b>0</b>	<b>15,847</b>	<b>22,437</b>	<b>26,167</b>	<b>31,044</b>

### **Opportunities for future savings**

- 6.2. **STAR procurement** - In September 2018, the Council formally joined the STAR procurement shared service, a partnership arrangement between Stockport, Trafford and Rochdale. This will provide the Council with much needed capacity and expertise in an area that previously had limited resources. Limited procurement savings have been assumed in 2019/20 and it is anticipated that significant savings can be achieved in future years as we accelerate the review of contracts and areas of high spend.
- 6.3. **Strategic Asset Management Plan and Estates Strategy** - Development of an effective Strategic Asset Management Plan and associated estates strategy, which supports the delivery of £2.4bn investment, delivers One Public Estate, generates income, realises recyclable capital receipts and provides a strategic approach to our capital programme and major projects, realising opportunities for integrated health hubs, new housing and local jobs for local people. An economy wide strategy and plan for the utilisation of the estate is expected to identify efficiencies in how we use our assets, which should result in financial savings for the economy.
- 6.4. **Economic Strategy** - Implementation of a Vibrant Economy Strategy to support new and indigenous businesses, creation of new jobs, a skilled workforce and increase in apprenticeships.
- 6.5. **Housing Strategy** - Develop and implement a new Housing Strategy and Delivery Plan and framework of delivery partners, to support the development of new homes and to raise standards in the private rented sector.
- 6.6. **Service Planning and Service Improvement** - A further drive on service planning and service improvement is planned for 2019, to identify further efficiencies and different models for service delivery. The Council will continue to seek opportunities to work with our partners across the economy and deliver services in different, more efficient and effective ways.
- 6.7. **Workforce Development and Agile working** - As our models of service delivery change, the opportunities for new and different ways of working increase. The economy wide

estates strategy and new service delivery models are expected to offer new ways of working which may also offer financial savings.

- 6.8. **Digital Strategy** - Technology is an integral part of modern day life, and IT developments will contribute to new ways of working and new service delivery models.

## **7. EQUALITIES IMPACT ASSESSMENT**

- 7.1. The Council is required to prepare a balanced budget for 2019/20. Wherever possible, the budget proposals seek to minimise costs and maximise efficiencies, whilst protecting public services. The Council has a specific equality duty to assess the likely impact of proposed policies and practices on protected groups under equality legislation to ensure that decisions are taken with due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.
- 7.2. The budget proposals include a number of savings proposals across service areas which may have a direct or indirect impact on groups of people with protected equality characteristics. When submitting savings proposals, service areas were required to submit a detailed template assessing the savings proposal, including the anticipated impact of the savings and whether an Equalities Impact Assessment was required. Services have or will undertake Equalities Impact Assessments where they have determined that the proposals will have an impact on service delivery.
- 7.3. The proposed increase in Council Tax will affect every household in the borough. Each year the Council aims to set a fair level of council tax as part of the balance between protecting public services within the resources available to finance the budget. The Council continues to operate a Council Tax support scheme for those on low incomes and we are satisfied that the potential negative impact of a Council Tax increase (section 4) is minimal and will continue to be monitored.

## **8. CAPITAL INVESTMENT**

- 8.1. A three year capital programme was approved in October 2017 and since then a number of changes have been approved by Executive Cabinet to add additional schemes to the programme. Capital Investment in 2017/18 was £51,385k with forecast and planned investment over the period 2018/19 to 2020/21 of £158,723k. Future investment plans are subject to available resources and the realisation of available capital receipts, however the current plans would see investment in excess of £200million over the four year period 2017 to 2021. The current approved and earmarked programme is set out in **Appendix 17**.
- 8.2. The CIPFA prudential code, which governs how Local Authorities account for and manage capital assets, requires the production of a comprehensive capital strategy, which stretches many years into the future. Work has therefore been done to assess the additional capital demands for the next 5 years that are on top of the current approved investment programme. The result of this work is set out in **Appendix 17**. The capital strategy indicates that the level of investment required over the next five years is £123m which is in addition to the current programme and earmarked schemes. Further work will be undertaken to assess the affordability and financing of this additional required investment before any schemes are put forward for full approval.

## **9. PAY POLICY STATEMENT**

- 9.1. The Pay Policy Statement for 2019/20 is set out in **Appendix 18**.
- 9.2. The Pay Policy Statement sets out the Council's approach to pay policy in accordance within the requirements of Section 38 of the Localism Act 2011. The Pay Policy Statement has also been revised to take into account the Council's approach to approval by Full Council for severance payments in excess of £95K in line with guidance received from the

Department for Communities and Local Government (DCLG). This pay policy applies for the year 2019/20 unless replaced or varied by Full Council.

- 9.3. It does not cover teaching staff whose salaries and terms and conditions of employment are set by the Secretary of State. Academy Schools are an entirely separate legal entity from the Council and are covered by Academies Act 2010 and as a separate employer are responsible for setting salaries for their employees.
- 9.4. The purpose of the Pay Policy Statement is to ensure transparency and accountability with regard to the Council's approach to setting pay. The Pay Policy Statement has been approved by Council and is publicised on the Council's website in accordance with the requirements of the Localism Act 2011 in March each year.

## **10. TREASURY MANAGEMENT STRATEGY 2019/20**

- 10.1. The Treasury Management service is an important part of the overall financial management of the Council's affairs. At 31 March 2018 the Council had £127m of investments which need to be safeguarded, and £112m of long term debt, which has been accrued over the years to help to fund the Council's capital investment programmes. The Council is also the lead authority responsible for the administration of the debt of the former Greater Manchester County Council on behalf of all ten Greater Manchester Metropolitan Authorities. As at 31 March 2018, this represented a further £77m of debt. The significant size of these amounts requires careful management to ensure that the Council meets its balanced budget requirement under the Local Government Finance Act 1992.
- 10.2. Under the Local Government Act 2003, the Department for Communities and Local Government issued in March 2010 revised "Guidance on Local Government Investments". The 2003 Act requires an authority "to have regard" to this guidance. Part of this guidance is that "A local authority shall, before the start of each financial year, draw up an Annual Investment Strategy for the following financial year, which may vary at any time. The strategy and any variations are to be approved by the full Council and are to be made available to the public." This strategy is set out in **Appendix 19**.
- 10.3. The Treasury Management Strategy also sets out the estimated borrowing requirement for both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF), together with the strategy to be employed in managing the debt position.

## **11. CAPITAL STRATEGY 2019/20**

- 11.1. The CIPFA Prudential Code (revised 2017) now requires that the Council produces an annual Capital Strategy. The Strategy provides a long term context in which capital decisions are made, the approach for governance for those decisions, and also information on the Council's approach towards treasury management and other investments. The Capital Strategy for 2019/20 is attached at **Appendix 20**.
- 11.2. The Capital Strategy is the Council's framework for the allocation and management of capital resources within the authority, which takes account of the Council's key priorities in the Corporate Plan. It forms a key part of the Council's integrated revenue, capital, and balance sheet planning with a view towards deliverability, affordability, and risk.
- 11.3. The Capital Strategy identifies the current capital programme and the processes that are carried out to maintain an ongoing investment plan together with the links between its objectives and that of the Corporate Plan. It also gives an insight into how the strategy might develop in terms of achieving the priority outcomes in the next 5-10 years and beyond.

## **12. LEGAL CONSIDERATIONS**

- 12.1. The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.
- 12.2. Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget; commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes. Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored.
- 12.3. Under the Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the statutory Chief Finance Officer, and the Monitoring Officer. Section 114 of the Local Government Finance Act 1988 obliges the Chief Financial Officer to prepare a report (to full Council) if it appears that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure.
- 12.4. Similarly, the Council's Monitoring Officer is required to report to Full Council if it appears that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration. Under section 25 of the Local Government Act 2003 the Chief Financial Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council.
- 12.5. Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if s/he has reason to believe that an Authority is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both. A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. In addition to advising on the robustness of the estimates as set out above, the Chief Financial Officer is also required to report on the robustness of the proposed financial reserves.
- 12.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. In broad terms this means that the Council has a duty to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations. In carrying out the work to identify proposals for

2019/20 officers will have due regard to how the equality duty can be fulfilled in relation to the proposals overall. Detailed consultation processes and equality impact assessments will be carried out for specific proposals prior to final decisions being made where required.

- 12.7. The Localism Act and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 introduced “Disclosable Pecuniary Interests” and new rules on the grant of dispensations to allow Council Members to take part in or vote on matters in which they have a Disclosable Pecuniary Interest (“DPI”). Where a Member has a DPI, they cannot speak and/or vote on a matter in which they have such an interest, unless they have obtained a dispensation in accordance with the requirements of section 33 of the Localism Act. The grounds for the grant of a dispensation under section 33(2) of the Localism Act are, if, after having regard to all relevant circumstances, the Council considers that:
- Without the dispensation the number of Members prohibited from participating/voting in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business.
  - Without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business.
  - The grant of the dispensation would be in the interests of the inhabitants of the borough.
  - Without the dispensation every Member of the Executive would have a DPI prohibiting them from participating/voting in any particular business to be transacted by the Executive.
  - It is otherwise appropriate to grant the dispensation.
- 12.8. At its meeting on 18 September 2012, the Council delegated to the Monitoring Officer the power to grant dispensations. Any grant of a dispensation must specify how long it lasts for, up to a maximum period of four years. Previously, the old “national” model Code of Conduct for Members specifically stated that Members would not have a prejudicial interest in certain circumstances that potentially affected the majority or a large number of Members. These general exemptions included an interest in any business of the Council which related to setting Council Tax or a precept under the Local Government Finance Act 1992. The new arrangements on DPIs introduced by the Localism Act do not reproduce any of the “general exemptions”.
- 12.9. All Members are likely to have a pecuniary interest in relation to the setting of the Council Tax through their ownership / occupation of property in Tameside in common with any resident of the Borough or indeed anyone who stands as a Councillor. In the Monitoring Officer’s opinion, the transaction of business relating to these matters would be impeded unless a dispensation was granted.
- 12.10. In these circumstances, the Monitoring Officer intends to grant dispensations to all members to allow members to participate in and vote on the setting of the Council Tax or a precept (and matters directly related to such decisions including the budget calculations). It will be necessary for all councillors to apply for dispensations to take part in the meeting at Full Council.

### **13. RECOMMENDATIONS**

#### **13.1. That Full Council:**

- a) Note the significant financial challenges and risks set out in this report;

- b) **Approve** the budgeted net expenditure for the financial year 2019/20 of £196,803k as set out in section 3 and Appendix 1, noting the significant pressures outlined in Appendix 2;
- c) **Approve** the proposed savings to be delivered by management outlined in section 3 and Appendix 3, noting the additional detail provided in appendices 7 to 15.
- d) **Approve** an uplift to fees and charges as set out in appendix 21;
- e) **Approve** an increase in the child allowance fees payable to Tameside Foster Carers and Relative Carers for the financial year 2019/20 in line with the weekly minimum rates as determined by the department of Education, together with a corresponding increase to the related allowances payable;
- f) **Approve** an increase in the personal allowance rate payable in 2019/20 to eligible and relevant care leavers living independently, to the same level as the Job Seekers Allowance rate payable for 18-24 year olds as determined by the Department for Work and Pensions;
- g) **Approve** delegated authority to the Directors (in consultation with the Section 151 officer) to agree any uplifts required to other contractual rates from 1 April 2019, which Directorates will manage within their approved budgets for 2019/20;
- h) **Approve** the use of £9,300k of reserves to fund further investment in Children's Services improvements as set out in appendix 4;
- i) **Approve** a 3.99% increase to Council Tax for Tameside MBC for 2019/20, consisting of a 2.99% general increase and 1% Adult Social Care precept;
- j) Note that the budget projections set out in section 6 assume a 2.99% per annum increase in general Council Tax through to 2023/24;
- k) **Accept** the Director of Finance's assessment of the robustness of the budget estimates and adequacy of reserves as set out in appendix 5. Following this, determine that the estimates are robust for the purpose of setting the budget and that the proposed financial reserves are adequate;
- l) **Approve** the Reserves Strategy and an increase to the General Fund minimum balance to £28.2m (funded from the Medium Term Financial Strategy Reserve) as set out in appendix 6;
- m) Note that, in accordance with the Reserves Strategy, a review of reserves will be undertaken at year end and the Director of Finance will present a further report to Executive Cabinet following this review;
- n) Note the position on the Capital Programme (Section 8 and Appendix 17) previously approved by Executive Cabinet, and the forecast future investment requirements;
- o) **Approve** the Pay Policy Statement for 2019/20 as set out in section 9 and Appendix 18;
- p) **Approve** the Treasury Management Strategy 2019/20, which includes the proposed borrowing strategy, Annual Investment Strategy and Minimum Revenue Provision Policy (Appendix 19); and
- q) **Approve** the Capital Strategy 2019/20 (Appendix 20).

#### **14. LIST OF APPENDICES**

- 1) Revenue Budget and Medium Term Financial Plan Summaries
- 2) Pressures and Growth
- 3) Savings and additional income
- 4) Resourcing
- 5) Section 151 Officers' Statement on the Robustness of the Budget Estimates
- 6) Reserves Strategy and General Fund Minimum Balance
- 7) Director of Adults
- 8) Director of Children's – Children's Social Care
- 9) Director of Children's – Education
- 10) Director of Population Health
- 11) Director of Growth
- 12) Director of Operations and Neighbourhoods
- 13) Director of Governance
- 14) Director of Finance and IT
- 15) Corporate budgets
- 16) Budget Conversation
- 17) Capital Investment
- 18) Pay Policy Statement 2019/20
- 19) Treasury Management Strategy 2019/20
- 20) Capital Strategy 2019/20
- 21) Fees and Charges

#### **15. LIST OF TABLES**

- 1) Table 1: Forecast 2018/19 outturn as at 31 December 2018.
- 2) Table 2: Strategic Commission Forecast Budget 2019/20 to 2023/24
- 3) Table 3: 2019/20 Council Budget Gap
- 4) Table 4: Analysis of 2019/20 Pressures
- 5) Table 5: 2019/20 Pressures by Service Area
- 6) Table 6: Analysis of 2019/20 Savings and Additional Income
- 7) Table 7: New savings to be delivered by Management

8) Table 8: Five year Council Budget Forecast 2019/20 to 2023/24