

Scrutiny session

30th October

Nicole Wood

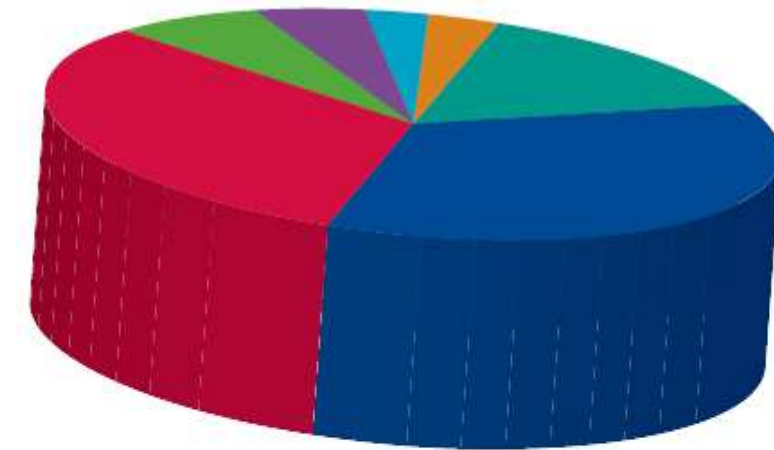
Agenda

1. Overview of revenue and capital budgets
2. Financial Outlook & Chancellors statement
3. National financial policy: BRR, fair funding & inequities
4. Savings & income generation
5. Overview of budget setting
6. Financial resilience

1) Overview of revenue and capital budgets

2018/19 Revenue budget

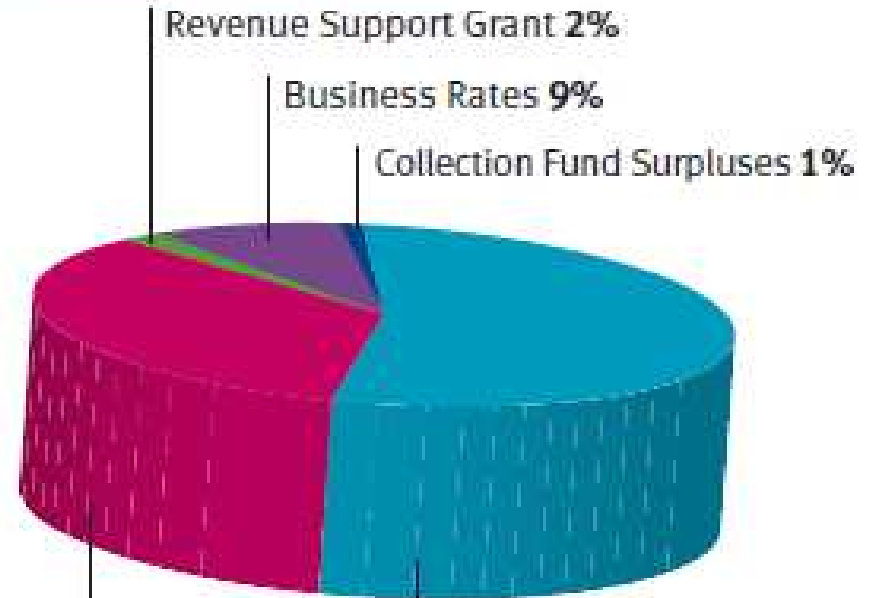
Gross Expenditure on Services



Education	669
Health and Adult Social Care	584
Children and Families	131
Environment and Waste	91
Highways	62
Public Health	64
Other	249

£m
669
584
131
91
62
64
249

Funding for Services

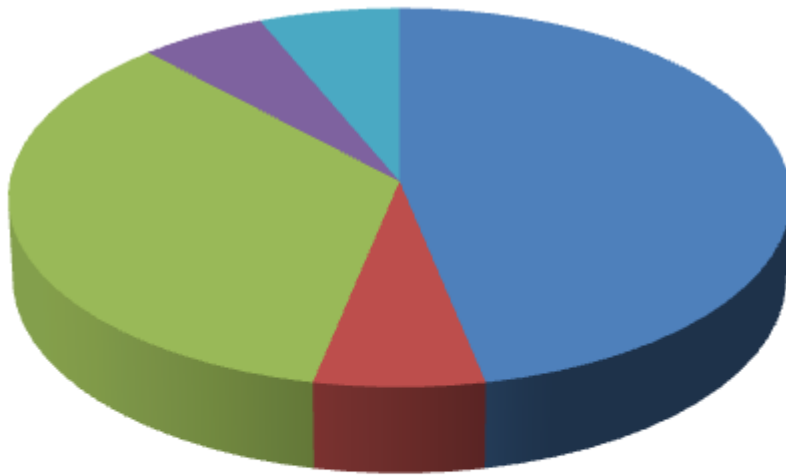


£m
985.4
635.6
45.7
174.5
9.4

Current year forecast - £238,000 under spend (0.03%)

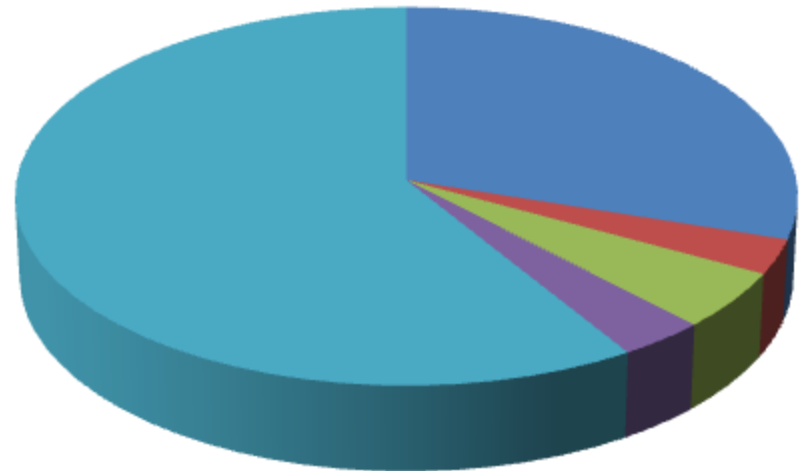
Capital Programme

2018/19 Capital Investment



- Deputy Leader and Infrastructure
- Economic Development
- Education and Skills
- Property Investment
- Other

Financing of the capital programme



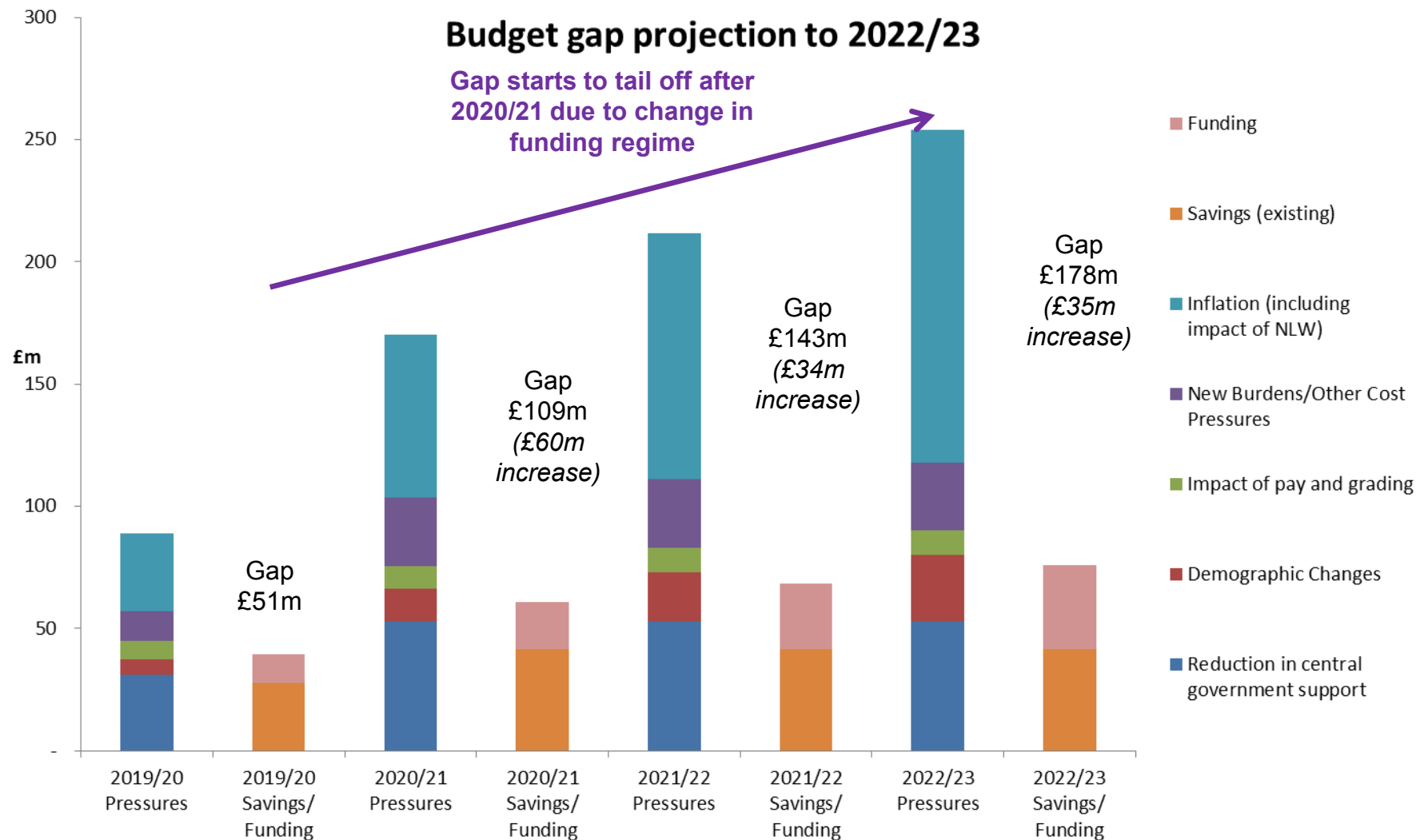
- Grants
- Reserves
| Developer & Other contributions | Green |
| Capital receipts | Purple |
| Borrowing | Cyan |

The current cost of borrowing is **£49m** and is funded from the revenue budget

Current year forecast - £198,000 under spend

2) Financial Outlook & Chancellors Statement

Financial Outlook



Other cost pressures includes items such as additional cost of capital financing and non delivery of savings

Next steps in the budget

There are a series of key points before we can set a budget

1. Current: consideration of income and savings opportunities by administration
2. w/c 29 October: forecast of council tax and rates from Districts (final end January 2019)
3. Chancellors statement 29th October
4. Settlement 6th December (including BRR Pilot announcement)
5. 22nd January Cabinet
6. February Council

Chancellors statement

Headlines from Chancellors statement

TO FOLLOW

3) National financial policy: BRR,
fair funding & inequities

Reform: Fair Funding & Business Rate Retention

1. Submitted a bid pan Essex (excluding Thurrock)
2. Will hear about success or otherwise in Settlement (6th December)
3. BRR reform planned from 2020/21: detail yet to be defined

All Essex	50 % BRR - Individually	50 % BRR - Pool	75 % BRR - Pilot
	£m	£m	£m
100% Business Rates Income for Essex	702	702	702
Business Rates Income Retained for Essex	351	351	527
Less Tariff	-24	-24	-143
Net	327	327	384
Baseline Needs Funding	294	294	334
Growth Income above baseline	33	33	50
Growth Income for Essex under each scheme	20	31	50

POTENTIAL OPTIONS FOR INVESTMENT



A fund to support the development of business cases for major infrastructure



A fund to unlock investment in new commercial space/ learning facilities



Self-sustaining inward investment campaign



Skills for Growth



Essex County Council

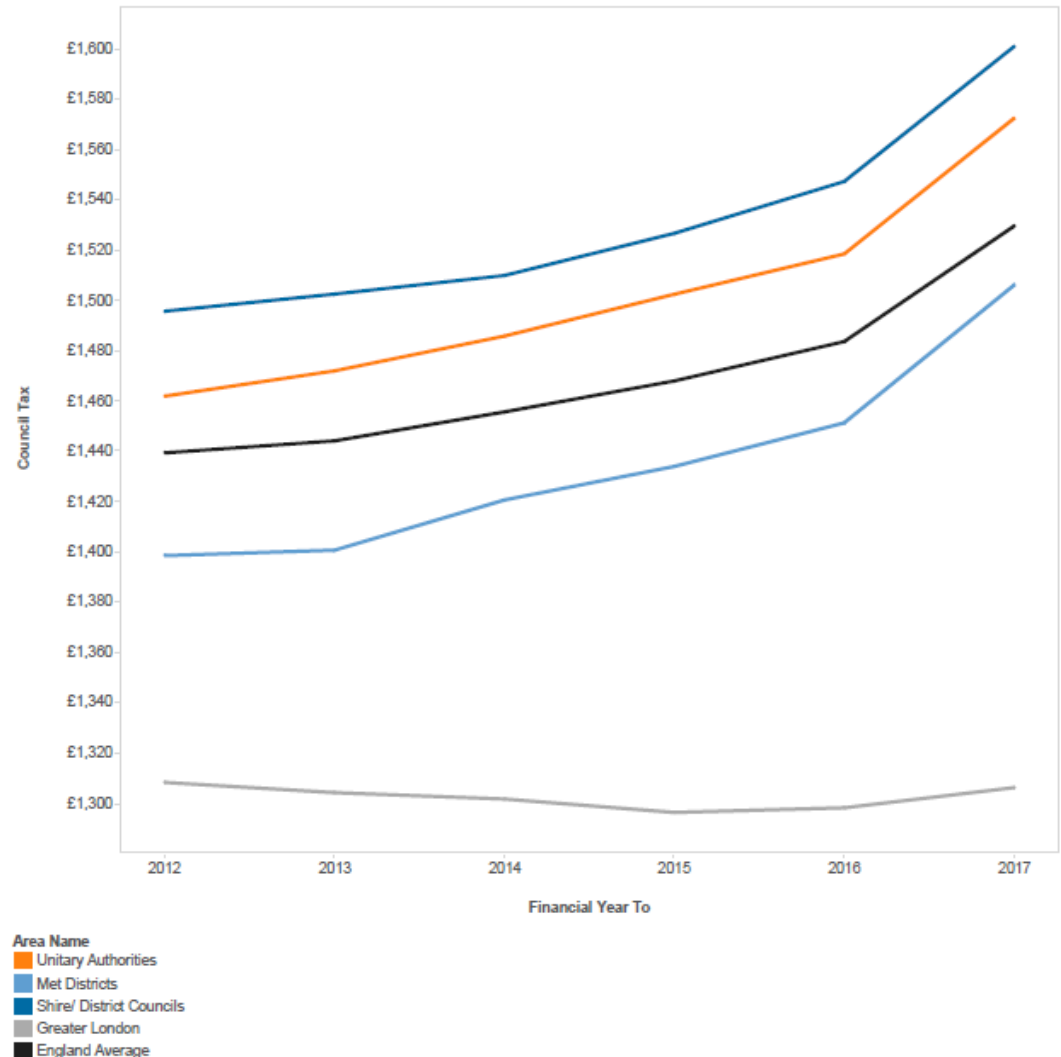
Reform: Fair Funding & Council Tax differentials

The burden on Essex tax payers is proportionately higher (as a % of household income)

Need to recognise the differential local capacity to raise income (including council tax) as part of **Fair Funding review**. For example:

- Residents in shire areas are paid, on average, 11% less than the national average. However, they tend to pay nearly 6% more in council tax
- When compared to London boroughs, shire residents earn 20% less but it is the residents in London that pay 4% less than shire residents.

Council Tax Change over Time, Band D (2011/12 to 2016/17)



4) Savings & income generation

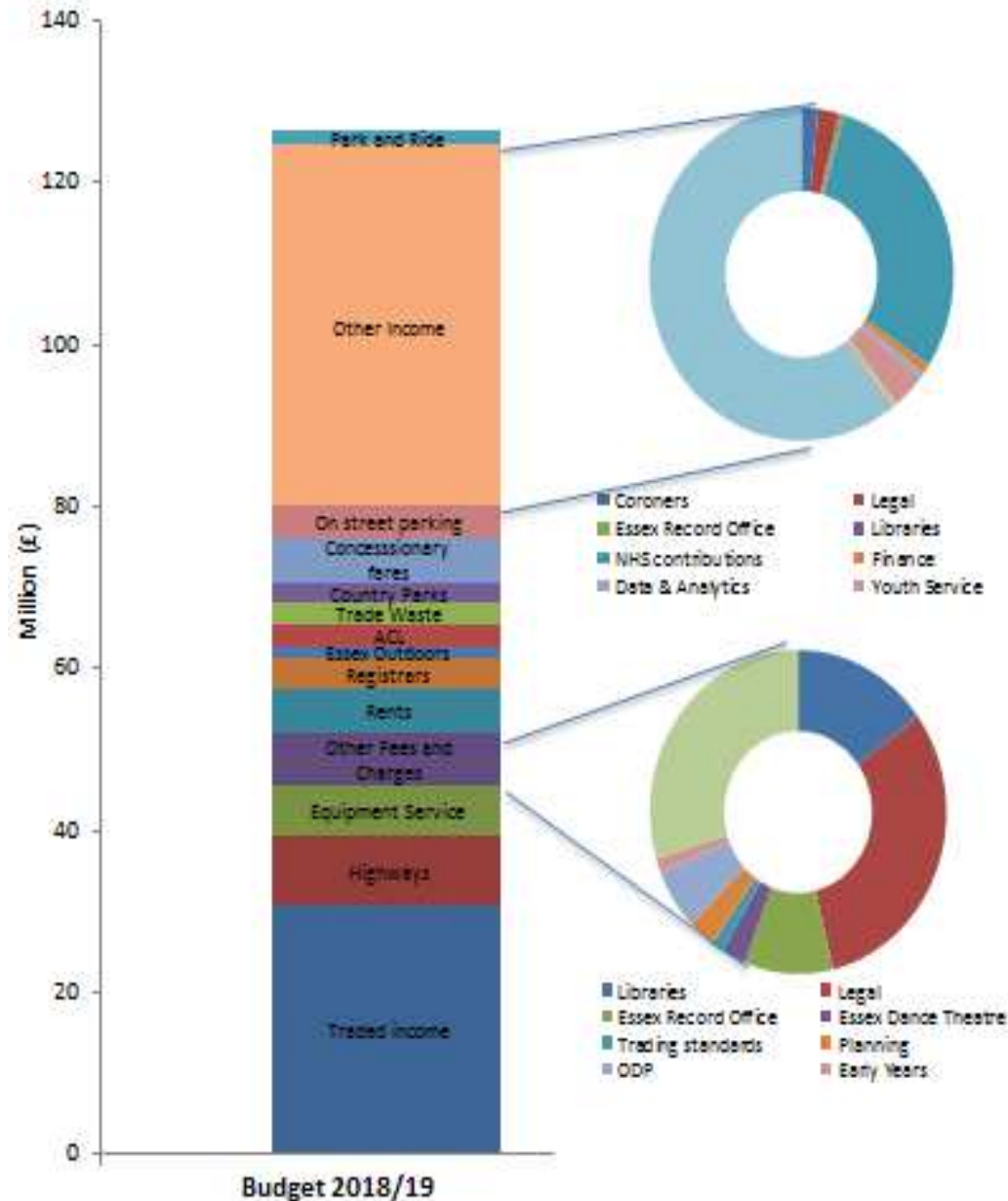
Income Generation

What we've done so far

- £50m on council tax deal since 2013 & better collection - national leader
- £4m on tax counter fraud
- Focus on fees and charges (total income is over £130m)
- New sources of income from the Commercial programme including commercial property fund

Where next:

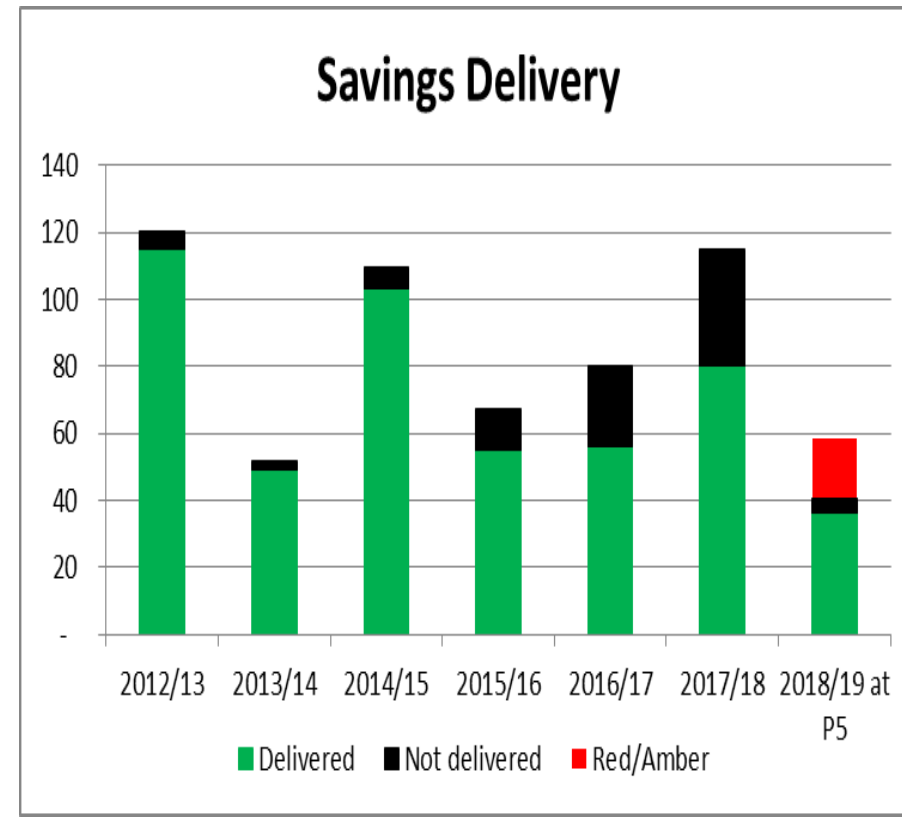
- **Work underway on new commercial strategy**
- Plan of activity for 6/12/24 months focus 2019/20 beyond
- Process review opportunities on front to end processes (include means to pay)



Savings

£700m saved since 2010 through efficiencies and income generation and a further **£59m** planned and in delivery for 2018/19

Our record on savings delivery is high, with initiatives put in place to mitigate against any non delivery plans



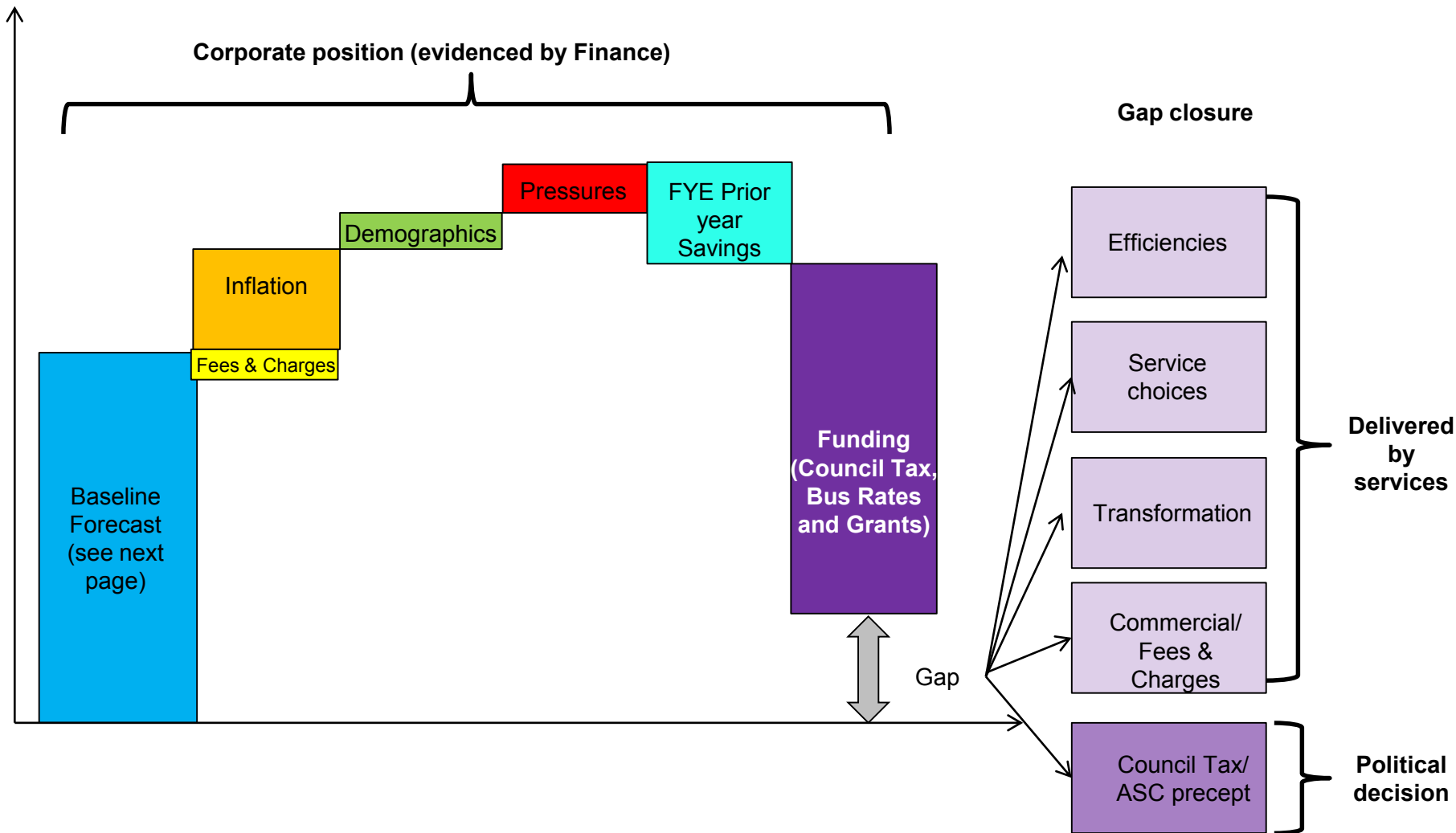
5) Overview of budget setting

Approach to budget setting

Our approach to budget setting focuses on the following areas

- Savings through smarter working to deliver cost reduction and efficiencies
- Review of service provision contracts and arrangements
- Review of services – underpinned by business delivery plans
- Income generation opportunities

How the budget is built



Budget assumptions

Baseline forecast

- Driven by adults and staffing cost drivers, plus current year forecast for remainder

Savings

- Savings are owned by Executive Directors
- Based on budget proposals put forward in planning stages
- May be at different stages of maturity (eg conceptual to underpinned by plans)

Fees and charges

- Fees and charges are inflated by RPI (in September) or per approved policy

Demographics/Volume

- Adult social care and childrens volumes are informed by demographic insight provided by Data & Analytics

Pressures

- Relate to non delivery of savings, childrens placements and capital financing
- Requests for growth are agreed by PLT
- Investment into reserves and other projects agreed by Cabinet

Inflation

- All Inflation based on contractual increases and market insight (ie contract specific)
- Pay inflation driven by Essex Pay
- All other areas are assumed flat
- Implications of National Living Wage follow through into contract increase

Funding Assumptions

- 1% growth in tax base, based on historic intelligence
- 1% Social Care precept levied in 2019/20, nothing thereafter as per govt policy
- Revenue Support Grant as per 4 year settlement (£0m in 2020/21)
- Business Rates – 1% growth based on historic intelligence, plus inflation uplift

All assumptions are based on evidence, validated and tested on a regular basis

6) Financial resilience

Financial Resilience – the headlines



Commissioner control warning at Northants amid £180m deficit fears

2 AUGUST, 2018 | BY ROBERT CUSACK

Commissioners could take full control of Northamptonshire CC amid fears the council's deficit could rise to £180m by 2021.

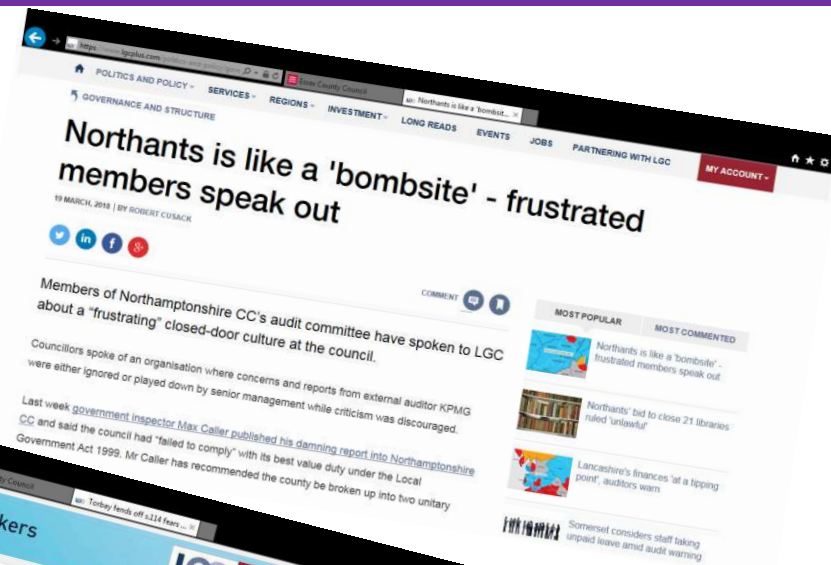
The leader of Northamptonshire denied allegations decisions had already been made on extensive service cuts, reducing provision to statutory services only, at an extraordinary meeting of full council last night.

There was strong criticism of historic decisions, particularly over the extensive use of outsourcing in the early 2000s, as members discussed 'priority areas of spend' outlined in a discussion paper.

Most Popular: Northants is like a 'bombsite' - frustrated members speak out

Most Commented: Northants' bid to close 21 libraries 'unlawful'

Lancashire's 'fin point', auditors warn



Northants is like a 'bombsite' - frustrated members speak out

19 MARCH, 2018 | BY ROBERT CUSACK

Members of Northamptonshire CC's audit committee have spoken to LGC about a "frustrating" closed-door culture at the council.

Councillors spoke of an organisation where concerns and reports from external auditor KPMG were either ignored or played down by senior management while criticism was discouraged.

Last week government inspector Max Caller published his damning report into Northamptonshire CC and said the council had 'failed to comply' with its best value duty under the Local Government Act 1999. Mr Caller has recommended the county be broken up into two unitary

Most Popular: Northants is like a 'bombsite' - frustrated members speak out

Most Commented: Northants' bid to close 21 libraries 'unlawful'

Lancashire's finances 'at a tipping point', auditors warn

Somerset considers staff taking unpaid leave amid audit warning



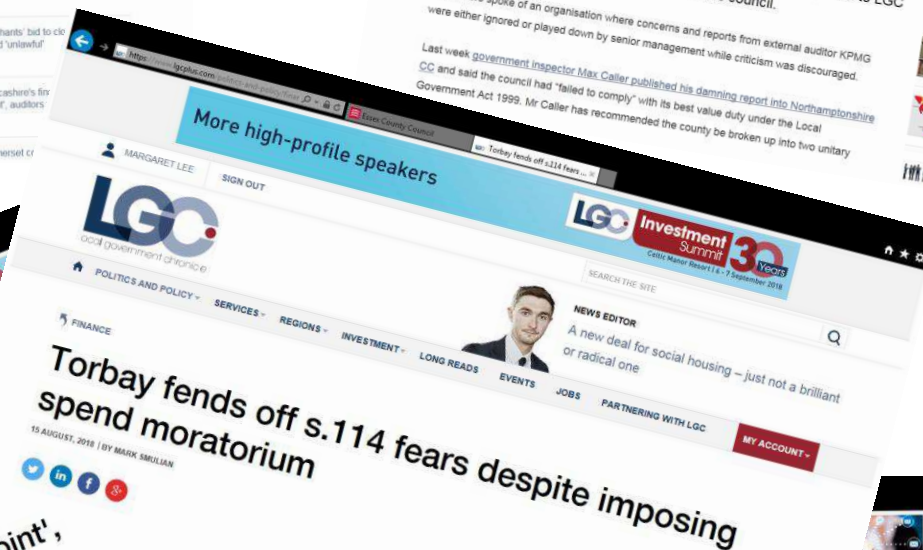
Lancashire's finances 'at a tipping point', auditors warn

8 AUGUST, 2018 | BY ROBERT CUSACK

More high-profile speakers

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A new deal for social housing – just not a brilliant or radical one

Investment Summit 30 Years
Local Government Chronicle



Torbay fends off s.114 fears despite imposing spend moratorium

19 AUGUST, 2018 | BY MARK SMILLAN

More high-profile speakers

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Somerset considers staff taking unpaid leave amid audit warning

10 AUGUST, 2018 | BY DAVID PARRIS

Investment Summit 30 Years
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Financial Resilience – the big topic

History of Northants

- LGA peer review in October
 - CEO resigns
 - New Interim S151 appointed
 - SoS MHCLG calls Inspectors
 - 1st S114 notice published
 - Interim CEO ‘resigns’
- On publication of the BV report:
 - Announcement that NCC will be broken up and 2 unitaries set up
- 2nd S114 notice served – projection is deficit of £70m rising to £160m
- Core service offer designed – statutory services under threat
- ▶ NCC relied on one off items to plug structural budget gaps.
- ▶ NCC was indifferent or hostile to external or internal criticism
- ▶ The Ombudsman noted a high level of complaints and little learning
- ▶ **Savings targets not owned in the services – “Living within budget constraints is not part of the culture of NCC”**



Our response

We have a number of embedded processes in place to avoid us being like Northants

- Savings are tracked
- Clear process for delivery and management of internal audit report
- Regular meetings with external audit
- Regular and accurate reporting of the authority's financial position
- Focus on budget sustainability.
- Reserves are not used for one-off costs, except the Transformation Reserve
- Projects are subject to review through Investment Board
- S151 independently comments on the robustness of the budget

However there is further action we are taking

- ***Understand reasons for savings attrition***
- ***Increase transparency on the outcome of internal audit reports, and outstanding recommendations.***
- ***Quarterly meetings between External Audit, the Leader, Cabinet Member for Resources and the Chief Executive.***
- ***Separate Cabinet report from S151 on robustness of the budget***
- ***Appropriate arrangements will be put in place should we use the capital receipts flexibility***

Questions?