

Forward Plan Reference Number: FP/388/03/19

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| Report title: Organisation Plan and Budget 2020/21 – Part 2: Budget and Plan | |
| Report to: Cabinet | |
| Report author: Nicole Wood, Executive Director for Finance and Technology and Margaret Lee, Executive Director for Corporate and Customer Services | |
| Date: 21 January 2020 | For: Decision |
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| County Divisions affected: All Essex | |

1 Purpose of the Report

- 1.1 The report asks that the Cabinet make a recommendation to the Council that it adopts the Organisation Plan and Budget 2020/21 including the revenue budget, capital programme, financial strategy and capital strategy. In doing so, the report of the Section 151 (S151) Officer on the robustness of the 2020/21 Budget and adequacy of reserves, included elsewhere on this agenda, should be considered.
- 1.2 The Organisation Plan publishes the Council’s achievements in 2019/20 and plans for 2020/21, highlighting those actions that the Council will focus on. It also includes a section on performance detailing how the Council will measure performance against the organisational aims and the outcomes the Council expects to see following the implementation of those actions.
- 1.3 The report includes the Council’s proposed financial strategy from 2020/21 to 2023/24, which is informed by the best information available regarding future funding and demand, whilst noting the risks and mitigations approach as outlined in the report.
- 1.4 Cabinet is asked to note that whilst the Council is able to present a balanced budget for 2020/21, this does assume full delivery of savings and there is not yet a balanced position for 2021/22 to 2023/24.

2 Decision Areas and Recommendations

Organisation Plan and Revenue Budget: Cabinet is asked to make the following recommendations to Full Council:

- 2.1 That the Organisation Plan be approved in the form appended to this report.
- 2.2 The net cost of services to be set at **£990.2million (m)** for 2020/21 – Appendix A (page 34).

- 2.3 The net revenue budget requirement to be set at **£912.9m** (net cost of services less general government grants) for 2020/21 – Appendix A (page 34).
- 2.4 The total council tax funding requirement be set at **£707.9m** for 2020/21 – Appendix A (page 34).
- 2.5 That Essex County Council’s element of the council tax be increased by 1.99% plus a 2% social care precept, therefore the Essex County Council element of the council tax charge for a Band D property in 2020/21 will be **£1,321.11**. A full list of bands is as follows:

| | 2019/20 | 2020/21 |
|------------------|-----------------|-----------------|
| Council Tax Band | £ | £ |
| Band A | 846.96 | 880.74 |
| Band B | 988.12 | 1,027.53 |
| Band C | 1,129.28 | 1,174.32 |
| Band D | 1,270.44 | 1,321.11 |
| Band E | 1,552.76 | 1,614.69 |
| Band F | 1,835.08 | 1,908.27 |
| Band G | 2,117.40 | 2,201.85 |
| Band H | 2,540.88 | 2,642.22 |

- 2.6 That the proposed total schools budget be set at **£534.3m** for 2020/21 which will be funded by the Dedicated Schools Grant, Pupil Premium Grant, Teachers Pay Grant, Teachers Pension Grant and the Universal Free School Meals Grant. The majority of this will be passed through to maintained schools.
- 2.7 That the underlying balance on the General Balance be set at **£56.6m** as at 1 April 2020 (Appendix A, Annex 1, page 60).
- 2.8 That the capital payments guideline be set at **£235m** for 2020/21 and that the Executive Director for Finance and Technology, in consultation with the Leader (who is currently the Cabinet Member for Finance, Property and Housing), be authorised to make adjustments to the phasing of payments between years (should that be necessary) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the subsequent quarterly review to Cabinet in July 2020. Any requests to change the prudential borrowing indicators would be brought back before Full Council.

Cabinet are asked to agree the following:

- 2.9 That the Leader (who is currently the Cabinet Member for Finance, Property and Housing), in consultation with the Executive Director for Finance and Technology, may adjust the recommendations to Full Council upon receipt of:
- (a) the final tax base and forecast business rates receipts for 2020/21 from the billing authorities (due by 31 January 2020)
 - (b) the final settlement from Government (expected early February 2020)
- 2.10 That the report by the Executive Director for Finance and Technology (S151 officer) on the robustness of the estimates, reserves and capital strategy be noted (see the separate item on this agenda).

Capital Strategy: the Cabinet are requested to make the following recommendations to Full Council:

- 2.11 That the 2020/21 to 2023/24 Prudential Indicators and limits, together with updated limits for 2019/20 as set out in Annexes 3A and 3B of the Capital Strategy (Appendix A) be approved.
- 2.12 That the Treasury Management Strategy for 2020/21 be approved, comprising:
- a. Borrowing strategy, as set out in Annex 3 of the Capital Strategy (Appendix A, Annex 3, page 85).
 - b. Treasury management investments strategy, as set out in Annex 3 and Annex 3D of the Capital Strategy (Appendix A, Annex 3, page 94).
 - c. Indicative strategy for commercial investment activities, as set out in Annex 3 of the Capital Strategy (Appendix A, Annex 3, page 97).
- 2.13 That the policy for making a prudent level of revenue provision for the repayment of debt, (the Minimum Revenue Provision policy) as set out in Annex 3C of the Capital Strategy (Appendix A, Annex 3, page 106), be approved.

Pay Policy Statement: the Cabinet are requested to make the following recommendation to Full Council for approval:

- 2.14 Recommend that the Council adopts the Pay Policy Statement for 2020/21 as set out in Appendix C.

For Cabinet to note:

- 2.15 Note the medium term (2021/22 to 2023/24) revenue issues facing the Council as set out in the report (Appendix A, page 25), highlighting the funding sources and implications. The position is based on the best intelligence available today including future funding, price rises and demand; but there is inherent uncertainty given the possible changes in national and local circumstances.

- 2.16 Note that the recommendations in this report present a balanced budget for 2020/21. The Council's plans for 2021/22 to 2023/24 are not sufficiently firm as to allow for a balanced budget to be set. Further opportunities for improving income and funding, plus greater efficiencies, will need to be secured in the medium term which will be achieved by a focus on outcomes based commissioning.
- 2.17 Note that the above figures are based on a Band D equivalent tax base of **535,809** properties (see Appendix A, page 34).
- 2.18 Note that the Capital Strategy, which is presented as Annex 3 in Appendix A, sets out the long-term context in which capital expenditure and treasury management investment decisions are made by the Council and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. It comprises a number of distinct, but inter-related, elements as follows:
- **Capital expenditure** – this provides an overview of the governance process for approval and monitoring of capital expenditure, including the Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.
 - **Capital financing and borrowing** – this provides a projection of the Council's capital financing requirement, how this will be funded and repaid, sets out the Council's borrowing strategy and explains how the Council will discharge its duty to make prudent revenue provision for the repayment of debt.
 - **Treasury management investments** – this explains the Council's approach to treasury management investment activities, including the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed.
 - **Commercial investments** – this provides an overview of the Council's intended approach to commercial investment activities, including processes, due diligence and defines the Council's risk appetite in respect of these, including proportionality in respect of overall resources.
- 3 Statement of the Executive Director for Finance and Technology (S151 Officer)**
- 3.1 The Executive Director for Finance and Technology is the Chief Finance Officer appointed under S151 of the Local Government Act 1972 and is also the Chief Financial Officer for regulatory and statutory purposes.

- 3.2 The report by the Executive Director for Finance and Technology (S151 officer) on the robustness of the estimates, reserves and capital strategy is set out in the separate report elsewhere on the agenda.

4. **Other Issues**

- 4.1 An equality impact assessment has been undertaken on the budget in line with the public sector equality duty. The findings of the Equality Impact Assessment (EIA) carried out are included at Appendix B of this report.

- 4.2 The review of the fees and charges schedule is an annual process with fees and charges being agreed by officers or by the relevant Cabinet Member. The proposed fees and charges for 2020/21 budget are published on our website. These are provided for information only. Cabinet is not asked to set these fees and charges by approving this report.

www.essex.gov.uk/spending-and-council-tax/finance-and-spending-breakdowns

5. **Relevance to the Council's Organisation Strategy and Plan**

- 5.1 The Organisation Plan for 2020/21 covers the action the Council will take next year to contribute to our Organisation Strategy, alongside the Budget. The Organisation Plan is set out in Appendix A.

6. **Internal and External Consultation**

- 6.1 All Executive Directors and Directors have been involved in the preparation of the Organisation Plan and the Budget.

- 6.2 Through budget consultation meetings the Council engages with representatives from the unions.

- 6.3 A budget consultation was undertaken during November and December 2019, for 4 weeks. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

- 6.4 There were 396 responses to the consultation. The full report on the budget consultation is shown in Appendix D. The key messages from respondents to the consultation are that:

- The majority of participants (55%) feel well informed about public services.
- 84% of participants recognise the financial challenges facing the county council and the impact that these are likely to have on future spending.
- Almost two thirds (63%) of participants have felt the impact of service change arising from national funding reductions.

- Residents have a clear view on the approaches that ECC should take in managing financial pressures. There is strongest support for strategies that seek to:
 - prioritise spending to protect the most vulnerable and those without choices
 - help build self-reliance and reduce dependency on public services; and
 - streamline services so that they can deliver the same outcomes.

The consultation suggests that participants are unlikely to support reducing or stopping services wholesale to protect others.

- The majority of residents would be prepared to either pay more, or give their time, to support local services that are experiencing financial pressure. 43% would be prepared to pay more through a one-off donation or a new/higher charge when using the service.
- Residents want to see key services protected in the face of financial pressure. More than 80% of participants identified care and support for vulnerable older people and those with mental health needs, and the maintenance of roads, footways and bridges as services which should be protected.

6.5 Taken together, these results suggest that Essex residents recognise the continuing financial pressures facing the Council and the need to prioritise and make efficiencies. They also recognise the need to balance spending on protecting the most vulnerable and on providing good universal services that most residents use.

6.6 In response to the key messages, the most significant part of the budget is spent on social care services (58% of gross expenditure, excluding DSG). The Council is also continuing to invest in the maintenance of roads and footways, with an additional £4m per annum for roads maintenance. The Council is investing more in Children services and made specific investment in 2019/20 for mental health. Expenditure on waste is reducing slightly, however this is due to contract efficiencies made by the Council. It should also be noted that waste collection is a district council responsibility.

6.7 This report will also be reviewed by the Corporate Scrutiny Committee prior to final presentation of the Organisation Plan to Full Council on 11 February 2020.

7. Legal Implications (Monitoring Officer)

7.1 In each financial year the Council must make its budget calculation in accordance with sections 42A and 42B of the Local Government Finance Act 1992. In particular, it must calculate the total of:

- The expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year
- Such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year
- The financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure
- Such financial reserves as are sufficient to meet any estimated revenue deficit for previous financial years which has not already been provided for.

- 7.2 Those calculations are then used to determine the council tax requirement for the year.
- 7.3 The Council is required to set a balanced budget and in considering the budget the Council must have regard to the advice of its Chief Finance Officer appointed under section 151 of the Local Government Act 1972.
- 7.4 The Council must issue any precept or precepts in accordance with section 40 of the Local Government Finance Act 1992. The section prescribes what must be included in the issue of the precept. It must be issued before 1 March in the financial year preceding that for which it is issued but is not invalid merely because it is issued on or after that date.
- 7.5 Under section 25 of the Local Government Act 2003, the Chief Financial Officer (section 151 officer) is 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. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report. The Chief Finance Officer is also required to report on the level of reserves.
- 7.6 In deciding its Capital Programme for the year, the Council must have regard to the 'Prudential Code' established by and under the Local Government Act 2003. This is addressed in the report.
- 7.7 The budget makes provision on the basis that a number of changes to council services which are under consideration may be made. The budget does not itself authorise any changes to services and does not assume that changes will be made. Any changes to services will need to be the subject of appropriate consideration by the Cabinet Member or the Cabinet following, where appropriate, consultation and a full report setting out options for change, the impact of the proposed changes on service users, including in particular the impact on different equality groups. Where a decision is made not to implement any changes then budgetary adjustments may need to be made but the Council

is confident that whilst savings over the 2020/21 budget are assumed, each can be implemented in a number of ways, thus no particular changes are assumed.

- 7.8 The setting of the budget is a function reserved to the Full Council, but the Cabinet are required to make recommendations it wishes to make to Full Council on the various calculations the authority is required to make. Once the budget is agreed by Full Council, the Cabinet cannot make any decisions which conflict with that budget, although variations and in year changes may be made in accordance with the Council's Financial Regulations which have been adopted by the Council. Similarly, any decision made by the Cabinet or by an officer exercising executive functions must be made in accordance with the policies, plans and strategies agreed by Full Council, including the Council's Organisation Strategy.
- 7.9 Section 106 of the Local Government Finance Act 1992 restricts any member of the Council from voting on the budget or council tax requirement if they owe any amount of council tax to any local authority which has been outstanding for more than two months. If this applies to a member and they attend a meeting at which the council tax requirement is to be set they must declare this fact and they cannot vote. It is an offence to vote or to fail to make this declaration.
- 7.10 Section 52ZB of the Local Government Finance Act 1992 requires the Council, when setting council tax, to determine whether or not the increase is 'excessive'. An increase is excessive unless it is within parameters determined by the Secretary of State. If an increase is 'excessive' it can only be implemented if supported by a referendum. The draft principles for 2020/21 published by the Secretary of State in December 2019 state that for the Council any increase of 2% or more (excluding social care precept) would be defined by the then Secretary of State as 'excessive'.
- 7.11 In addition, social care authorities are permitted to levy a 'precept' of up to a further 2% without the overall increase being considered 'excessive'. There is no legal requirement for the money raised to be used for adult social care services, but the Secretary of State has indicated that he will ask local authorities how they have spent the money. If an authority is unable to demonstrate usage for social care purposes, he may restrict that authority's ability to raise council tax in future years. The final decision on what is an 'excessive' increase for 2020/21 has not yet been made, and a decision is not expected until early February 2020. If the Council sets council tax before the finance settlement, then it would need to reconvene to determine whether or not the increase is excessive. Based on what is currently known, the recommendations in this report would not lead to an increase in Council tax which is defined as 'excessive'.

8. Staffing and Other Resource Implications

- 8.1 An element of reorganisation and reshaping will be required to support efficiency gains in some operational areas. Staffing implications which may

arise as a result of operational plans flowing from this budget will be addressed under their specific implementation plans.

9. Equality Impact Assessment

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. In addition, marital status is a relevant protected characteristic for 9.1(a).
- 9.3 The equality implications have been assessed as part of the budget setting process as detailed in Appendix B. Equality impact assessments will be carried out before any decision is taken to change any services in response to the budget or otherwise - please see paragraphs 4.1 and 7.7 of this report for further information.

10. List of Appendices

- Appendix A – Essex County Council Organisation Plan 2020/21**
- Appendix B – Equality Impact Assessment (Organisation Plan and Budget)**
- Appendix C – Pay Policy Statement**
- Appendix D – Budget Consultation Report**