

**Forward Plan Reference Number: FP/038/02/23**

<b>Report title:</b> Everyone's Essex Annual Plan and Budget 2024/25 – Part 2: Budget and Plan	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor Christopher Whitbread, Chancellor of Essex (Cabinet Member with responsibility for Finance) and Councillor Louise McKinlay, Deputy Leader and Cabinet Member for Levelling Up, Communities and Business Engagement	
<b>Date:</b> 16 January 2024	<b>For:</b> Decision
<b>Enquiries to:</b> Nicole Wood, Executive Director for Corporate Services ( <a href="mailto:Nicole.Wood@essex.gov.uk">Nicole.Wood@essex.gov.uk</a> ), with respect to the budget or Richard Puleston, Director, Policy ( <a href="mailto:Richard.Puleston@essex.gov.uk">Richard.Puleston@essex.gov.uk</a> ) with respect to the annual plan.	
<b>County Divisions affected:</b> All Essex	

**1 Everyone's Essex**

- 1.1 Everyone's Essex sets out the Council's strategic aims and commitments for the period of the current administration along with key principles for how we operate as an organisation including commitment to ensuring excellent service delivery. In line with Everyone's Essex, this budget seeks to align our financial resources to ensure delivery against our commitments over the next two years whilst also maintaining well-funded and sustainable core and statutory services that can continue to deliver improved outcomes to our local residents.

**2 Purpose of the Report**

- 2.1 The report asks the Cabinet to make a recommendation to the Council that it adopts the Everyone's Essex Annual Plan and Budget 2024/25 including the revenue budget, capital programme, financial strategy, capital strategy and treasury management strategy. In doing so, the report of the Section 151 (S151) Officer on the robustness of the 2024/25 budget and adequacy of reserves, included elsewhere on this agenda, should be considered.
- 2.2 The Annual Plan publishes the Council's plans for 2024/25, highlighting actions upon which the Council will focus.
- 2.3 The report includes the Council's proposed financial strategy from 2024/25 to 2027/28, 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. In the continued absence of a multi-year funding settlement for local government, there is inevitably significant uncertainty from 2025/26.

- 2.4 To note that whilst the budget proposed for approval for 2024/25 is balanced, there is not yet a balanced and sustainable budget for the medium-term 2025/26 to 2027/28. Further plans and saving opportunities will be developed during 2024 to ensure financial sustainability.

### 3 Recommendations

#### Everyone's Essex Annual Plan and Revenue Budget

#### Cabinet is asked to make the following recommendations to Full Council:

- 3.1 That the Everyone's Essex Annual Plan and budget be approved in the form appended to this report (Appendix A).
- 3.2 That the net cost of services to be set at **£1,147.9million (m)** for 2024/25 – Appendix A (page 28).
- 3.3 That the net revenue budget requirement to be set at **£1,072.8m** (net cost of services less general government grants) for 2024/25 – Appendix A (page 32).
- 3.4 That the total council tax funding requirement be set at **£848.3m** for 2024/25 – Appendix A (page 32).
- 3.5 That Essex County Council's element of the council tax be increased by 4.99% comprising of a 2.99% increase in general council tax and 2.0% adult social care precept. This would result in the Essex County Council element of the council tax being **£1,522.53** for a Band D property in 2024/25. A full list of bands is as follows:

Council Tax Band	2023/24 £	2024/25 £
Band A	966.78	1,015.02
Band B	1,127.91	1,184.19
Band C	1,289.04	1,353.36
<b>Band D</b>	<b>1,450.17</b>	<b>1,522.53</b>
Band E	1,772.43	1,860.87
Band F	2,094.69	2,199.21
Band G	2,416.95	2,537.55
Band H	2,900.34	3,045.06

- 3.6 That the proposed total schools budget be set at **£720.6m** for 2024/25 which will be funded by the Dedicated Schools Grant, Pupil Premium Grant, Universal Free School Meals Grant, Teachers Pay and Pension Grants, PE and Sports Premium Grant, Sixth Form Grant, COVID-19 Recovery Premium Grant, Pupil

Premium Plus Post 16 Grant, YPLA Funding Grant, NPQ Targeted Support Grant and Senior Mental Health Lead Training Grant. The majority of this will be passed through to maintained schools.

- 3.7 That the underlying balance on the General Balance be set at **£68.1m** as at 1 April 2024 (Appendix A, Annex 1, page 60).
- 3.8 That the capital payments guideline be set at **£320.1m** for 2024/25 and that the Executive Director for Corporate Services, in consultation with the Cabinet Member with responsibility for Finance, be authorised to make, subject to compliance with financial regulations, adjustments to the phasing of payments between years (should they consider that to be appropriate) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the subsequent quarterly review to Cabinet in July 2024. Any requests to change the prudential borrowing indicators would be brought back before Full Council.

**Cabinet is asked to agree the following:**

- 3.9 That the Cabinet Member with responsibility for Finance, in consultation with the Executive Director for Corporate Services, may adjust the recommendations to Full Council passed at the meeting upon receipt of:
- (a) the final tax base and forecast business rates receipts for 2024/25 from the billing authorities (due by 31 January 2024)
  - (b) the final Local Government Finance Settlement from Government (expected early February 2024)
- 3.10 That the report by the Executive Director for Corporate Services (S151 Officer) on the robustness of the estimates, reserves and capital strategy be considered and noted (see the separate item on this agenda).

**Capital Strategy**

**Cabinet are requested to make the following recommendations to Full Council:**

- 3.11 That the 2024/25 to 2027/28 Prudential Indicators and limits, together with updated limits for 2023/24 as set out in Annexes 3A and 3B of the Capital Strategy (Appendix A, pages 95-99), be approved. This includes an authorised limit for external debt of **£1,373m** for the 2024/25 financial year, which defines the maximum amount of external borrowing by the Council, and represents the statutory limit determined under section 3(1) of the Local Government Act 2003.
- 3.12 That the Treasury Management Strategy for 2024/25 be approved, comprising:
- a. Borrowing strategy, as set out in Annex 3 of the Capital Strategy (Appendix A, Annex 3, page 77).

- b. Treasury management investments strategy, as set out in Annex 3 and Annex 3D of the Capital Strategy (Appendix A, Annex 3, page 87).
  - c. Indicative strategy for commercial investment activities, as set out in Annex 3 of the Capital Strategy (Appendix A, Annex 3, page 90).
- 3.13 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 100), be approved.
- 3.14 That the revised Treasury Management Policy Statement (Appendix A, Annex 3, page 106) and Treasury Management Practices (Appendix A, Annex 3, page 107), which set out the policies, objectives, and approach to treasury management, are adopted.

### **Pay Policy Statement**

#### **Cabinet are requested to make the following recommendation to Full Council:**

- 3.15 Recommend that the Council adopts the Pay Policy Statement for 2024/25 as set out in Appendix C.

#### **For Cabinet to note:**

- 3.16 The medium-term (2025/26 to 2027/28) revenue issues facing the Council as set out in the report (Appendix A, page 21); at present there is not a balanced budget from 2025/26 and further action will be necessary to identify plans and savings to ensure financial sustainability. The position is based on the best intelligence available today in respect of future funding, price rises and demand. However, in the absence of a government funding settlement beyond 2024/25 and the inherent uncertainty in the macro-economy, where we continue to see high inflation and high interest rates, the financial outlook is volatile.
- 3.17 That the recommendations in this report present a balanced budget for 2024/25. The Council's plans for 2025/26 to 2027/28 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 prioritisation and outcomes-based commissioning and transformation.
- 3.18 That the council tax charge calculation is based on a Band D equivalent tax base of **557,153** properties (see Appendix A, page 32).
- 3.19 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 requirement 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.
- **Other investments** – this provides an overview of the Council's intended approach to investment activities, including processes, due diligence and defines the Council's risk appetite in respect of these, including proportionality in respect of overall resources.

#### **4 Statement of the Executive Director Corporate Services (S151 Officer)**

- 4.1 The Executive Director for Corporate Services is the Chief Finance Officer appointed under section 151 of the Local Government Act 1972.
- 4.2 The report by the Executive Director for Corporate Services (S151 Officer) on the robustness of the estimates, reserves and capital strategy is set out in the separate report elsewhere on this agenda.
- 4.3 It should be noted that this report will see council tax increased by 4.99%, of which 2.0% is to be spent on Adult Social Care using the adult social care precept.

#### **5. Other Issues**

- 5.1 An Equalities Comprehensive Impact Assessment (ECIA) has been undertaken on the budget in line with the public sector equality duty. The findings of the ECIA carried out are included at Appendix B of this report.
- 5.2 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 the 2024/25 budget are published on the Council's website. These are provided for information only and none of the recommendations in this report ask the Cabinet to set these fees and charges. [www.essex.gov.uk/spending-and-council-tax/finance-and-spending-breakdowns](http://www.essex.gov.uk/spending-and-council-tax/finance-and-spending-breakdowns)

## **6. Relevance to the Council's Everyone's Essex Strategy and Plan**

- 6.1 The Annual Plan for 2024/25 covers the action the Council will take next year to contribute to Everyone's Essex, alongside the Budget. The Annual Plan is set out in Appendix A.

## **7. Internal and External Consultation**

- 7.1 All Executive Directors and Directors have been involved in the preparation of the Annual Plan and the Budget.
- 7.2 Through budget consultation meetings the Council engages with representatives from the unions.
- 7.3 Public consultation was undertaken throughout November 2023, for a period of 4 weeks. Through this exercise, the Council gathered the views of residents and those who run businesses within the county. The consultation was promoted via the Essex residents panel, through the Council's corporate communications channels and through digital / social media. Businesses and representatives of business rate payers were able to respond to the consultation.
- 7.4 There were 2,159 responses to the consultation. Respondents included residents and businesses. The full report on the budget consultation is shown in Appendix D. The key messages from respondents to the consultation are that:

### **Essex-wide issues and resident concerns**

- Pressures on healthcare and the NHS are viewed by participants as the most important issue facing Essex today. Participants also see crime/community safety and pressures on social care provision as key issues to be addressed
- Topics of most concern for people personally are the condition of roads and pavements, crime levels and anti-social behaviour.

### **Commitment priorities**

- When asked about things that should be prioritised for immediate action, participants identified developing Essex's infrastructure as the top issue.

This was followed by supporting those who care for the sick or vulnerable people and securing high standards in education

- Compared to the 2023/24 Budget Consultation, this year shows an increase in prioritisation for infrastructure and roads, and a decrease in concerns over the economy and cost of living. There has also been a decrease in concern over climate and environment for the immediate future.

### **Spending decisions**

- Participants are torn between different strategies for allocating resources and acknowledge that these are difficult decisions for ECC
- Favoured strategies for dealing with financial pressures centre around:
  - Helping people to help themselves so they have less reliance on public services
  - Prioritising spending to protect services for the most vulnerable and those without choice
  - Streamlining services so we can deliver the same outcomes.
- Participants feel decisions around spending allocation should be taken as close to local communities as possible, and prioritise services that benefit the majority of residents and businesses.

7.5 In response to the key messages, the Council is investing an additional **£59m** in portfolio budgets for 2024/25 (**£61m** including other operating costs). The most significant part of the budget is spent on health and social care services (64% of gross expenditure, excluding dedicated schools grant (DSG)). The Council is also continuing to invest in the maintenance of roads and footways, children's services, economic regeneration and waste.

7.6 This report will also be reviewed by the Corporate Policy and Scrutiny Committee prior to final presentation of the Annual Plan to Full Council on 13<sup>th</sup> February 2023.

## **8. Legal Implications (Monitoring Officer)**

8.1 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.
- 8.2 Those calculations are then used to determine the council tax requirement for the year.
- 8.3 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.
- 8.4 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 the year for which it is issued but is not invalid merely because it is issued on or after that date.
- 8.5 Under section 25 of the Local Government Act 2003, the Chief Finance 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.
- 8.6 In deciding its Capital Programme for the year, the Council must have regard to the 'Prudential Code' established by the Local Government Act 2003. This is addressed in the report.
- 8.7 The budget allocates funding to services 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 2024/25 budget are assumed, each can be implemented in a number of ways, thus no particular changes are assumed.
- 8.8 The setting of the budget is a function reserved to the Full Council, but the Cabinet is 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. 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 Everyone's Essex Strategy.

- 8.9 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.
- 8.10 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.
- 8.11 The Secretary of State has not taken the final decision on what is an 'excessive' increase for 2024/25, and a decision is not expected until early February 2024. If the Council sets council tax before this determination is made 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'.
- 8.12 The draft principles for 2024/25 published by the Secretary of State in December 2023 state that for the Council any increase of 3% or more (excluding the 'social care precept') would be defined by the then Secretary of State as 'excessive'.
- 8.13 In addition, social care authorities are permitted to levy a 'social care precept' of 2% or less. There is no legal requirement for the money raised to be used for adult social care services, but the Secretary of State has previously 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.
- 8.14 This means that if the draft referendum principles become the final principles, any increase by ECC of 5% or more would trigger a referendum. The proposed increase of 4.99% would not therefore trigger a referendum.
- 8.15 With respect to the Annual Plan, once this is approved by full Council it becomes part of the county council's policy framework which means that neither the Leader nor the Cabinet may take a decision which is contrary to it.

## **9. Staffing and Other Resource Implications**

- 9.1 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.

## **10. Equalities Comprehensive Impact Assessment**

- 10.1 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.
- 10.2 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).
- 10.3 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 5.1 and 7.6 of this report for further information.

## **11. List of Appendices**

**Appendix A – Essex County Council Annual Plan 2024/25**

**Appendix B – Equalities Comprehensive Impact Assessment (Annual Plan and Budget)**

**Appendix C – Pay Policy Statement**

**Appendix D – Budget Consultation Report**