

Agenda item 6	
Report title: Organisation Plan and Budget 2018/19 and refreshed Organisation Strategy	
Report author: Councillor David Finch, Leader of the Council	
Date: 13 February 2018	For: Decision
Enquiries to: Margaret Lee, Executive Director, Corporate and Customer Services (and section 151 officer) or Jason Kitcat, Executive Director, Corporate Development	
County Divisions affected: All Essex	

1 Purpose of the Report

- 1.1 The report presents information to enable Full Council to consider and approve the Refreshed Organisation Strategy, Organisation Plan and Budget 2018/19 including the revenue budget, capital programme and financial strategy – noting that the report presents a balanced budget for 2018/19.
- 1.2 The Organisation Strategy was originally approved by the Council in July 2017. The refreshed strategy sets the aims and priorities for the Council to 2021 and now includes a new area of focus, ‘end states’ sought for each priority, new equality objectives and a more developed ‘building blocks’ section setting out our proposed approach to service standards, commissioning and partners. It also takes into account the further development of the emerging workforce strategy which is currently in draft.
- 1.3 The Organisation Plan publishes our achievements in 2017/18 and our plans for 2018/19, highlighting those actions that the council will focus on. We have brought together the Budget Book and Organisation Plan for 2018/19 into a single document to further align our approach to financial and business planning.
- 1.4 The statutory process for setting the budget is that a budget is recommended to the Council made by or on behalf of the Leader. On 23 January 2018 the Leader made recommendations to the Council and authorised the Cabinet Member for Resources to amend those recommendations in the light of any revised information.
- 1.5 The recommendations from the Cabinet, as amended by the Cabinet Member for Resources are set out in section 2.
- 1.6 The final settlement figures from the Ministry of Housing, Communities and Local Government were not available at the time that the Council agenda was required to be published. The final figures are expected to be received before the meeting. Any further revisions to the recommendations resulting from the final settlement figures will be circulated electronically to all members as early as possible and will also be posted on the council’s website.

2. Recommendations to the Council

Revenue and Capital Budget: the following resolutions are recommended for approval:

- 2.1 That the Organisation Plan be approved in the form appended to this report.
- 2.2 That the Organisation Strategy be approved in the form appended to this report.
- 2.3 The net revenue budget requirement be set at **£865.3 million (m)** (net cost of services less general government grants) for 2018/19 – Appendix A (page 33)
- 2.4 The net cost of services be set at **£911.7m** for 2018/19 – Appendix A (page 33).
- 2.5 The total council tax funding requirement be set at **£635.6m** for 2018/19 – Appendix A (page 33).
- 2.6 That a 2% social care precept be levied and a 2.99% increase to Essex County Council's element of the council tax, therefore the Essex County Council element of the council tax for charge for a Band D property in 2018/19 will be **£1,221.75**. A full list of bands is as follows:

Council Tax Band	2017/18 £	2018/19 £
Band A	775.80	814.50
Band B	905.10	950.25
Band C	1,034.40	1,086.00
Band D	1,163.70	1,221.75
Band E	1,422.30	1,493.25
Band F	1,680.90	1,764.75
Band G	1,939.50	2,036.25
Band H	2,327.40	2,443.50

- 2.7 Full Council approve the council tax for each category of dwelling and the precepts on each of the council tax billing authorities for 2018/19, together with the final tax base, as set out in the table below

Billing Authority	Final Tax Base Band D Equivalent	2018/19	2018/19
			Gross precept £000
Basildon	60,135	73,470	
Braintree	51,980	63,507	
Brentwood	32,593	39,820	
Castle Point	30,443	37,194	
Chelmsford	65,495	80,018	
Colchester	61,960	75,700	
Epping Forest	53,563	65,440	
Harlow	25,590	31,265	
Maldon	24,193	29,558	
Rochford	31,297	38,237	
Tendring	46,740	57,104	
Uttlesford	36,211	44,241	
Total for ECC	520,199		635,553

- 2.8 Agree to the proposed total schools budget of **£517.5m** for 2018/19, which will be funded by the Dedicated Schools Grant.
- 2.9 That the underlying balance on the General Balance be set at **£55.1m** at as at 1 April 2018 (Appendix A, page 55).
- 2.10 That the capital payments guideline be set at **£298.6m** for 2018/19.
- 2.11 That for the purposes of section 52ZB of the Local Government Finance Act 1992 the Council formally determines that the increase in council tax is not such as to trigger a referendum.

Capital Strategy: the following are recommended for approval:

- 2.12 The 2018/19 - 2020/21 Prudential Indicators and limits, together with updated limits for 2017/18 be as set out in **Annexes 1A and 1B** of the Capital Strategy (pages 82 and 83 of Appendix A).
- 2.13 The Treasury Management Strategy for 2018/19 comprising the following, be approved:
- a. Borrowing strategy, as set out in **Annex 1** of the Capital Strategy (starting on page 66 of Appendix A).
 - b. Treasury management investment strategy, as set out in **Annex 1** of the Capital Strategy (starting on page 73 of Appendix A).

- c. Indicative strategy for commercial investment activities, as set out in **Annex 1** of the Capital Strategy (starting at page 75 of Appendix A).
- 2.14 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 1C** of the Capital Strategy (starting at page 84 of Appendix A).
- 2.15 The Treasury Management Policy Statement and Treasury Management Practices be updated to those, set out in **Annexes 1E, 1F and 1G** of the Capital Strategy (starting at page 89 of Appendix A).
- 3 Background to the changes since the Cabinet Meeting**
- 3.1 The billing authorities are required to provide a final estimate of the council tax base, the deficit/surplus from the prior year, the performance of the local discount scheme and the Non Domestic Rates (NDR) income on 31 January 2018. The recommendations made by Cabinet were based upon estimates of these figures, before receipt of the final submissions from the billing authorities.
- 3.2 This information has now been submitted to the County Council and as a result there have been the following changes –
- Increased NDR income of **£2,000**
 - Increased Council Tax collection fund surplus of **£230,000**
 - Additional Business Rates Compensation Grant of **£1.4m**
 - Reduced NDR collection fund surplus **£175,000**
- 3.3 Rochford District Council has not submitted a final NDR return due to system upgrades underway. It is not expected that this will result in a significant change from the estimates provided. However if there is a significant change, the budgetary impact will be reported and dealt with in the First Quarter Report to Cabinet in July.
- 3.4 The net impact of these changes is an increase in funding of **£1.4m** over that recommended by Cabinet, and the figures above reflect to increase to the Coroner's service budget of **£150,000** to provide additional resilience to the service and the balance to the Transformation Reserve.
- 3.5 Within the Health and Adult Social portfolio, the Housing Related Support budget has been increased by **£1.175m** to provide funding which will enable the extension of the contracts for homelessness prevention Floating Support, this has been offset by a reduction in the baseline spend for Older People Care and Support.
- 3.6 The table below shows the recommendations made by the Cabinet and the revised recommendation to Council made by the Cabinet Member for Resources following returns from billing authorities:

	Cabinet	Council	Movement
	Jan-18 £m	Feb-18 £m	£m
Council Tax Requirement	(635.6)	(635.6)	-
Revenue Support Grant	(45.7)	(45.7)	-
Non-Domestic Rates	(173.7)	(173.7)	-
Non-Domestic Rates Deficit	(0.9)	(0.8)	0.1
General Government Grants	(45.1)	(46.5)	(1.4)
Council Tax Collection Fund Surplus	(9.3)	(9.4)	(0.1)
Total Funding	(910.3)	(911.7)	(1.4)
Net cost of services	910.3	911.7	1.4
Total Expenditure	910.3	911.7	(1.4)
Surplus / (Deficit)	-	-	-

- 3.7 At the time of the production of these papers, the final settlement was not known. If it becomes available in the period between production of the report and the Council meeting, an addendum will be issued before or at the meeting.
- 3.8 If however, the final settlement is not known the day of the Council meeting, an amended budget motion will be tabled at the meeting moved on an amended basis, proposing that the following will apply:
- 3.9 If the final settlement provides an increase in funding over that already included, the additional sum will be appropriated to the General Balance.
- 3.10 If the settlement results in a decrease in funding, that amount will be appropriated from the General Balance. In this scenario, the report on the first quarter position to Cabinet in July will set out how that amount will be recovered.
- 3.11 In either case, the action will not result in changes to net revenue budget requirement, or the level of the Council's precept on billing authorities. There will therefore be no impact on the determination whether the increase in council tax requires a referendum.

4 Statement of the Executive Director for Corporate and Customer Services (s151 Officer)

- 4.1 The Executive Director for Corporate and Customer Services is the section 151 Officer as defined by the Local Government Act 1974 and is also the Chief Financial Officer for regulatory and statutory purposes.
- 4.2 The reports by the Executive Director for Corporate and Customer Service on the budget and the Capital Strategy are shown on pages 20 to 23 of Appendix A.

5 Other Issues

5.1 The findings of the Equality Impact Assessment (EIA) carried out are included in Appendices C and D of this report.

6 Relevance to the Council's Organisation Strategy and Plan

6.1 The Organisation Plan for 2018/19 covers the action we will take next year to deliver our Organisation Strategy, alongside our budget. These documents are 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 budget.

7.2 Through budget consultation meetings the Council engage with representatives from the unions and from the business community.

7.3 A briefing on the budget for members of the Corporate Policy and Scrutiny Committee was held on 23 January 2018.

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 aggregate 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 so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as 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 that 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 Financial 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 in the Local Government Act 2003. This is addressed in the report.
- 8.7 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 any particular 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 will need to be made.
- 8.8 The setting of the budget is a function reserved to the Full Council but the Cabinet is required to consider the 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 virements 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.
- 8.9 Section 106 of the Local Government Finance Act 1992 prevents 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 such a member attends a meeting at which the council tax requirement is to be set they must declare this fact and they cannot vote on the setting of the council tax. 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. The draft principles for 2018/19 published by the Secretary of State in December 2017 state that for ECC any increase of 3% or more (excluding social care precept) would be defined by the then Secretary of State as 'excessive'.

- 8.11 The social care precept is achieved by allowing social services authorities to increase council tax by a further 3%. 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 2018/19 has not yet been made, and a decision is not expected until early February 2018. 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.

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

10 Equality Impact Assessment

- 10.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC 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 10.1(a)
- 10.3 The equality implications have been assessed as part of the budget setting process as detailed in Appendix C and on the Organisation Strategy as set out in Appendix D. Equality impact assessments will be carried out as part of individual schemes being considered to implement the budget.

11 List of Appendices

Appendix A – Essex Organisation Plan 2018/19

Appendix B – Refreshed Organisation Strategy

Appendix C – Equality Impact Assessment (Organisation Plan and Budget)

Appendix D – Equality Impact Assessment (Organisation Strategy)