

**Agenda item 7**

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| <b>Report title:</b> Organisation Plan and Budget 2020/21 – Part 1: Section 151 Officer Report |                        |
| <b>Report author:</b> Nicole Wood, Executive Director for Finance and Technology               |                        |
| <b>Date:</b> 11 February 2020  | <b>For:</b> Discussion |
| <b>Enquiries to:</b> Nicole Wood, Executive Director for Finance and Technology                |                        |
| <b>County Divisions affected:</b> All Essex  |                        |

**1 Purpose of the Report**

- 1.1 The report sets out the Section 151 (S151) Officer’s statement on the adequacy of reserves, robustness of the 2020/21 revenue budget, as well as the Financial Strategy and the Capital and Treasury Management Strategy. The S151 Officer for the Council is the Executive Director for Finance and Technology.

**2. Recommendations**

- 2.1 To note this report before making a decision on the recommendations on the budget and capital programme.

**3. Assurance Statement of the S151 Officer (Executive Director for Finance and Technology)**

- 3.1 I have examined the budget proposals and I believe that whilst the spending and service delivery proposals are challenging, they are achievable given the political and management will to implement the changes.
- 3.2 The external auditors have concluded that for 2018/19, the Council has satisfactory arrangements for the securing Value for Money and use of resources.
- 3.3 The Council has a good track record on financial management and delivering savings. The external auditors are satisfied the Council has adequate arrangements for budget monitoring and taking mitigating actions to eliminate the impact of any over spends and undeliverable savings. It is on track to deliver its required savings in 2019/20. The external auditors also concluded that the medium-term resourcing strategy reflects known savings and cost pressures and the key assumptions are reasonable.
- 3.4 I believe the level of reserves are appropriate but require continual monitoring considering the risks and will continue to report quarterly to Cabinet on the reserve position.
- 3.5 The 2020/21 revenue budget and the capital programme are included elsewhere on the agenda. Whilst the budget shown is balanced, there remains

a gap between our estimated spend and assumed funding for 2021/22 and onwards. The Council only has certainty of funding for 2020/21 and considerable uncertainty remains in the sector around the funding structures for local government beyond 2020/21; a multi-year settlement is expected from 2021/22. It is imperative the Council maintains focus on financial sustainability and produces a balanced budget over the medium term.

#### **4. Background**

- 4.1 The S151 Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act.
- 4.2 The budget is a financial plan of the Organisation Strategy and forms part of the annual Organisation Plan. The budget is delivered through Cabinet Members who have a portfolio responsibility for several services, which will deliver the strategic aims and priorities of the Organisation Strategy.
- 4.3 This report concentrates on the draft 2020/21 revenue budget, level of reserves and capital programme as set out elsewhere on this agenda, but in addition it also considers key medium-term issues faced by the Council.

#### **5. Financial Context**

- 5.1 The Provisional Settlement from Central Government confirmed the announcements in the Autumn Spending Review. This included new monies for social care as well as continuation of existing social care grants, namely Winter Pressures and Social Care Support Grant, which equates to £10m for existing grants and an additional £23m of new monies. In addition to this, for the Dedicated Schools Grant (DSG), an additional £19.6m in respect of the High Needs Block was received, however there was a reduction of £1.2m to the Central School Services Block. There was only a one year funding announcement for DSG.
- 5.2 The Provisional Settlement also confirmed the continuation of Revenue Support Grant (RSG), which equates to £19m. The Council has seen its RSG significantly reduce from £232m in 2013/14 to £19m for next year, a reduction of £213m over 7 years. The medium-term strategy assumes that RSG will continue at this level, however there is no formal confirmation from government of funding beyond 2020/21.
- 5.3 The future of local government finance remains uncertain. The Government has committed to review Business Rates. It is also reviewing the allocation of funding across local authorities; this is known as the Fair Funding review, however there is no clarity on when these are now to be implemented.
- 5.4 The uncertain funding position makes it difficult to plan for the long term. In addition, like most local authorities, the Council is are also experiencing

increasing demand for our services notably increasingly complex and expensive packages and transport for children's social care and higher demands across adult social care.

## **6. Revenue Budget**

- 6.1 If it accepts the recommendations in the budget report, the Council plans to spend £1.9bn in 2020/21 (including schools). After income, this equates to a net expenditure budget of £992.6m, an increase of £53m, (5.6%) on 2019/20.
- 6.2 The 2020/21 budget includes inflationary pressures (including National Living Wage) of £23m, other service pressures totalling £64m (including £17m of additional change capacity to meet ongoing transformation of services and systems and £9m additional resources for Children's Social Care), and one off investment of £22m (including additional investment in our highways and in order to provide additional resilience against delivery risk). This is offset by additional funding of £51m resulting in a net pressure of £58m.
- 6.3 The budget assumes £58m of savings and increased income to balance the 2020/21 budget. These include contract efficiencies, back office savings through process efficiency, service redesign and use of technology, increasing income from fees and charges and commercial activity and development of our fostering service to increase the use of internal foster carers to minimise dependence on the external market.

## **7. Funding**

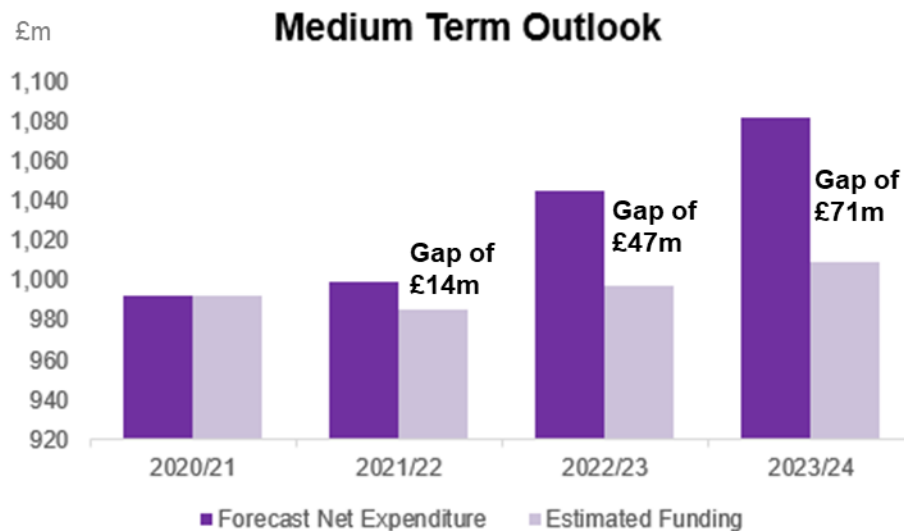
- 7.1 In 2016/17 the Government agreed that local authorities with social care responsibilities could increase council tax if the money raised was spent on adult social care. This is referred to as the 'adult social care precept'. This precept has continued to be in place since 2016/17, and continues in 2020/21, which will allow social care authorities to increase the social care precept by a further 2% in 2020/21.
- 7.2 A 2% increase will yield £13m in 2020/21. This provides a contribution to the financial pressures in adult social care but does not cover the increased costs in this area which are estimated to cost £20m due to inflation (including the cost of funding increases in the National Living Wage which has risen from £8.21 to £8.72 per hour) and population growth.
- 7.3 Government has set the Referendum cap for core Council Tax at 2%. The Council is proposing a 1.99% increase in core council tax (in addition to the 2% social care precept referred to above). The increases proposed will not only contribute additional funds for 2020/21 but will also provide an increase to the Council's base funding position going forward, which is critical given the continued uncertainty around funding for local government beyond the one-year 2020/21 horizon.

7.4 The 2020/21 budget incorporates £33m of additional money announced for social care, this was a continuation of £10m received in 2019/20, with an additional allocation of £23m. The Government have committed to the continuation of this additional £23m, which is a welcome source of funding in meeting the pressures within social care.

## 8. Financial Strategy

8.1 A balanced budget for 2020/21 is presented. The projections for future years indicate a gap between the Council's expected funding streams and the Council's expenditure.

8.2 The medium-term outlook for the authority is set out below, however this must be seen in the context of an uncertain funding horizon for local government from 2021/22:



8.3 It is imperative that the Council maintains focus on financial sustainability and continues to identify further income and opportunities for new efficiencies. The Council must continue to explore the redesign of services and different ways of working with its partners, local communities and the voluntary sector to ensure essential services can be provided with significantly reduced funding.

## 9. Capital Programme and Treasury Management

9.1 The Council has indicated, within the budget proposals, an aspiration to invest considerable sums through the capital programme over the next four years. The capital programme aspirations will deliver a range of schemes to maintain, enhance and deliver new assets, such as investment in Chelmsford's new Beaulieu Train Station and North East Bypass and Colchester/Tendring A120 and A133, as well as highways maintenance and providing new school places. The capital programme also includes schemes to help to deliver revenue savings, such as the Essex Housing Programme to redevelop redundant

Council property. To the extent that the Council must borrow to pay for this investment, it will incur borrowing costs, which must be funded from the revenue budget.

- 9.2 The revenue costs of borrowing to finance the capital programme will rise from 7.8% of the net budget in 2018/19, to an estimated 10.8% by 2023/24. In 2020/21, capital schemes which deliver a revenue saving greater than the associated borrowing costs amount to some 9% of the total programme. The Council's ability to deliver the future Capital Programme aspirations is therefore dependent on the achievement of savings, generation of income and maximisation of funding from a range of sources to fund the revenue borrowing costs.
- 9.3 Whilst the Council can determine its own programmes for capital investment that are central to the delivery of quality public services, it must be satisfied, and able to demonstrate, that these programmes are affordable, prudent and sustainable. In doing so, the Council must have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code).
- 9.4 The Prudential and Treasury Management Codes require the Council to produce a Capital and Treasury Management Strategy which explains how the Council takes capital expenditure, investment and treasury management decisions and how it takes account of stewardship, value for money, prudence, sustainability and affordability. The full strategy is shown in Appendix A, Annex 3. The Executive Director for Finance and Technology is required to report explicitly on the affordability and risk associated with this strategy.
- 9.5 In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability, the Capital and Treasury Management Strategy:
- Sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
  - Provides an overview of the governance process for approval and monitoring of capital expenditure. These processes are well established and have been highly effective in recent years in ensuring the delivery of the Council's capital investment plans.
  - 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.

- 9.6 The Capital and Treasury Management Strategy, and the indicators provided in Annexes 3A and 3B, show that the capital financing requirement, external borrowing levels and costs of borrowing are all on an upward trajectory. This reflects the substantial level of capital investment being undertaken by the Council. A focus of some of the capital programme is upon ‘invest to save’ initiatives and upon economic regeneration. Hence, the increases in borrowing, and the costs associated with this borrowing, may be partly mitigated by revenue savings and additional income generation (e.g. additional housing and businesses providing tax revenues).
- 9.7 In the longer term, it will not be possible to sustain this level of capital investment without the greater achievement of savings, generation of income and increased funding.
- 9.8 The Council’s approach to treasury management investment activities is set out in Appendix A (Annex 3 page 94) and includes 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. The treasury management investment strategy proposed for 2020/21 is largely consistent with that applied in previous years.
- 9.9 The Council has a good track record with regard to its treasury investment activity, adhering to statutory guidance by giving priority to security and liquidity over yield. In addition, Internal Audit has consistently issued ‘good’ assurance opinions on the management of these activities, confirming that internal controls are in place and adhered to.
- 9.10 The Council’s policies, objectives and approach to risk management of its treasury management activities is set out in the Strategy, alongside the knowledge and skills available to the Council, and provides confirmation that these are commensurate with the Council’s risk appetite.
- 9.11 The Capital and Treasury Management Strategy also provides an overview of the Council’s current approach to commercial investment activities, including processes, and due diligence. It also defines the Council’s risk appetite in respect of these, including proportionality in respect of overall resource.
- 9.12 All commercial investment activities entered into so far have been subject to approval in accordance with the Council’s governance framework for decision making and giving due regard to risk and proportionality.
- 9.13 The distinct, but inter-related, elements of the Capital and Treasury Management Strategy collectively demonstrate that the Council’s capital expenditure and investment decisions properly take account of stewardship, value for money, prudence, sustainability and affordability, by setting out the long term context in which capital expenditure and investment decisions are made, and by having due consideration to both risk and reward and impact on the achievement of priority outcomes.

## **10. Dedicated Schools Grant (DSG)**

- 10.1 The DSG is part of the Council's budget, and is made up of four blocks: Schools, High Needs, Early Years and Central Schools Services. A significant proportion of this grant is passported directly through to and managed by schools themselves and is known as the Schools Block. The remaining three block; High Needs, Early Years and Central Schools are managed by the Council.
- 10.2 There is an increase in funding of £19.6m for the High Needs Block in 2020/21 however this is insufficient to recover the historic deficit that has arisen due to continued growth of pupils with Special Educational Needs and Disabilities (SEND), which is forecast at £3.6m on 31 March 2021. Assuming the Department for Education (DfE) continues to increase funding for the High Needs Block at a similar proportion as in 2020/21, it is anticipated that the High Needs Block will return to a balanced position by 2022/23. However, the Council has only a one-year confirmation of funding and therefore the outlook is very uncertain.
- 10.3 The DfE has stated that with the increase in funding to the High Needs Block that it expects local authorities to only request transfers from the Schools Block in exceptional circumstances. The Council has therefore made no request for a Schools Block transfer for 2020/21 on the assumption that funding will continue to increase in 2021/22 and 2022/23. Should the increase in funding in future years not be enough the Council will request a transfer from the Schools Block.
- 10.4 The DSG over spend is being funded temporarily from future years' DSG allocations, which is permitted by the terms of the grant. It should be noted that the Special Educational Needs and Disabilities increased demand also impacts other Non DSG services, namely Home to School transport and Transitions.
- 10.5 The recent SEND Organisation Design has reduced expenditure within the High Needs Block for 2020/21 due to the reorganisation of the Specialist Teachers Team. A review of funding for special schools is underway and will be followed by a review of funding for SEND bases attached to mainstream schools.

## **11. Reserves**

- 11.1 Reserves play an important part in the financial strategy of the Council, and much has been written about them in local and national media.
- 11.2 They are an important part of risk management and resilience. The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.

- 11.3 The Third Quarter report approved the creation of three new reserves for Technology Solutions, Highways and Emergency, which will replace the current Emergency Contingency annual revenue budget of £4m. The purpose of the Technology Solutions reserve is to set aside funding to meet the future cost of replacing key corporate systems, including the social care case management system and the core financial and human resources systems. The Highways reserve is to set aside resources to meet the potential pressures on the highways network. The Emergency reserve will help deal with risk around market fragility, exit from the EU, capacity issues across social care, as well as general risks around volatility in demand or extreme weather conditions.
- 11.4 A substantial amount of the Council's reserves (£192m) are 'restricted use funds' in that they are ring-fenced very specifically to long term contractual commitments such as Private Finance Initiative (PFI) schemes, or they are partnership funds, and not available to support the spend of the Council. These reserves have the potential to manage specific risks in the areas they are allocated to, and so alleviate pressure on the remaining reserves and the budget, but they should not be considered available to support more general pressures facing the Council.
- 11.5 Excluding these specific funds, the remaining reserves (£74m) provide a cushion against the significant risks the Council faces as outlined above, and a source of transformation funding to change the way the Council provides services and achieves future efficiencies.
- 11.6 The authority also has a General Balance, which is an un-ringfenced reserve set aside to allow the Council to deal with unexpected events or costs at short notice. The general reserve balance has stood at 6% since the 2017/18 budget in recognition of the level of risk associated with reductions in Revenue Support Grant and pressures the Authority faces. The general balance is set at £57m which is enough to fund the council's activities for 21 days.
- 11.7 During 2020/21, £44m is expected to be drawn down from reserves – principally from the Transformation Reserve to finance investment in business cases. It should be noted that there are plans included within the budget to contribute to the Transformation Reserve in 2020/21 and future years, to ensure there are enough funds available for continued investment in the transformation programme.
- 11.8 The 2020/21 budget includes some appropriations to reserves. These are proposed to reflect assessments of need or agreed strategies.
- 11.9 Whilst the level of non-restricted use reserves is not enough to cover the funding gaps longer term as set out earlier in this report, the authority's record on financial management and delivery of savings is such that it is highly unlikely that this level of usage of reserves would be required.



## **12. Risks**

- 12.1 There are several risks associated with the budget. The key risks are set out in the following paragraphs.
- 12.2 The budget assumes full delivery of £58m budget proposals. Officers and members continue to work on delivery plans. Officers carry out a delivery risk assessment before the budget is set to test the readiness to deliver the savings as planned in the budget. At this stage, 5% of savings have a high level of delivery risk.
- 12.3 The extent and management of social care demand is a significant risk given that people are living longer, may have more care needs, and the Council is experiencing more complex cases within Children's services too. However, these areas are monitored closely to allow action to be taken at the earliest opportunity to manage this risk position. The Council has a good record of managing this risk as is evident from the financial review reports provided to Cabinet during the year.
- 12.4 Winter weather may require greater intervention than originally planned. Therefore, it is important that we can provide additional resources at very short notice to ensure we can keep people moving around the county in periods of bad weather.
- 12.5 The longer-term funding position is uncertain due to the proposed changes to local government finance.
- 12.6 At the time of writing there is a commitment to leave the European Union on 31 January, this could have an impact on financial and workforce resources, but this is yet unknown.
- 12.7 The single greatest inflationary pressure in the budget is National Living Wage; there are assumptions made about the increase in rate however any change to this by government will have a significant financial impact on the budget, because there will be increased demand for rate increases from contractors. The rate for 2020/21 is £8.72 and this may have a greater impact on the supply chain than the budget assumes.

## **13. Control environment**

- 13.1 In building the budget and considering the risks inherent within it, it is important that the Council considers not only the level of reserves available to support it, but the wider control environment which will help to manage and minimise those risks. This includes:
- a. the approach to financial planning and monitoring with budget holders
  - b. a strong accountability framework which sets out clear roles and responsibilities in terms of financial management

- c. regular and accurate reporting to Members and senior officers
- d. performance reporting
- e. internal audit function assessing controls and processes.

13.2 These processes are robust, and it is important that continued focus is given to these by the senior leadership of the Council to ensure this remains the case. These processes provide an early warning system to potential problems to enable appropriate action to be taken if necessary, in a calm and measured way.

13.3 However, it must be recognised that these steps will not eliminate risk entirely, especially for those that come externally. There are further measures that can be taken to diminish the overall financial effect of these risks, including:

- a. slowing down or stopping spending
- b. increasing income elsewhere; or
- c. moving funds around the organisation.

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| <b>Report title:</b> Organisation Plan and Budget 2020/21 – Part 2: Budget and Plan   |                      |
| <b>Report to:</b> Council   |                      |
| <b>Report author:</b> Councillor David Finch, Leader of the Council   |                      |
| <b>Date:</b> 11 February 2020   | <b>For:</b> Decision |
| <b>Enquiries to:</b> Nicole Wood, Executive Director for Finance and Technology (and section 151 officer) or Margaret Lee, Executive Director for Corporate and Customer Services |                      |
| <b>County Divisions affected:</b> All Essex   |                      |

## 1 Purpose of the Report

- 1.1 The report presents information to enable Full Council to consider and approve the Organisation Plan and Budget 2020/21 including the revenue budget, capital programme, financial strategy and the Council’s council tax precept – noting that the report presents a balanced budget for 2020/21.
- 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 statutory process for setting the budget is that a budget is recommended to the Council made by or on behalf of the Leader. On 22 January 2019 the Leader made recommendations to the Council and was authorised to amend those recommendations in the light of any revised information.
- 1.4 The recommendations from the Cabinet, as amended by the Leader (who is currently the Cabinet Member responsible for Finance) are set out in section 2. The changes to the recommended budget since the Cabinet meeting are explained further in section 3.
- 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. It is hoped that the final settlement will be available before the meeting and the recommendations have been drafted on the basis that this is the case and that the position is in accordance with the draft settlement. If that is not the case, then the recommendations will need to be amended to deal with activity which will need to take place after the meeting.
- 1.7 In addition, the statutory deadlines for the final information from the billing authorities was 31 January 2020. This report incorporates information that was available at the time that the Council agenda was required to be published. At

the time of publishing, the information from all districts other than Brentwood Borough Council was available.

- 1.8 Any further revisions to the recommendations resulting from the final settlement figures and confirmed district information will be circulated electronically to all members as early as possible and will also be posted on the council’s website.

## 2. Decision Areas and Recommendations

### Revenue and Capital Budget

- 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 **£992.6million (m)** for 2020/21 – Appendix A (page 34).
- 2.3 The net revenue budget requirement to be set at **£913.6m** (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:

| Council Tax Band | 2019/20<br>£    | 2020/21<br>£    |
|------------------|-----------------|-----------------|
| Band A           | 846.96          | 880.74          |
| Band B           | 988.12          | 1,027.53        |
| Band C           | 1,129.28        | 1,174.32        |
| Band D           | <b>1,270.44</b> | <b>1,321.11</b> |
| 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 Full Council approve the Essex County Council element of the council tax for each category of dwelling and the precepts on each of the council tax billing authorities for 2020/21, together with the final tax base, as set out in the table below:

| Billing Authority    | 2020/21<br>Final Tax Base<br>Band D Equivalent | 2020/21<br>Gross precept<br>£000 |
|----------------------|--|----------------------------------|
| Basildon             | 61,287   | (80,967)                         |
| Braintree            | 53,373   | (70,512)                         |
| Brentwood            | 32,968   | (43,554)                         |
| Castle Point         | 30,969   | (40,913)                         |
| Chelmsford           | 68,252   | (90,168)                         |
| Colchester           | 63,933   | (84,462)                         |
| Epping Forest        | 54,638   | (72,183)                         |
| Harlow               | 26,943   | (35,595)                         |
| Maldon               | 25,091   | (33,148)                         |
| Rochford             | 31,928   | (42,180)                         |
| Tendring             | 48,392   | (63,931)                         |
| Uttlesford           | 38,036   | (50,250)                         |
| <b>Total for ECC</b> | <b>535,809</b>                                 | <b>(707,863)</b>                 |

- 2.7 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.
- 2.8 That the underlying balance on the General Balance be set at **£56.6m** as at 1 April 2020 (Appendix A, Annex 1, page 60).
- 2.9 That the capital payments guideline be set at **£235m** for 2020/21.
- 2.10 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

- 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:
- Borrowing strategy, as set out in Annex 3 of the Capital Strategy (Appendix A, Annex 3, page 85).
  - Treasury management investments strategy, as set out in Annex 3 and Annex 3D of the Capital Strategy (Appendix A, Annex 3, page 94).
  - 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**

- 2.14 The Pay Policy Statement for 2020/21 as set out in Appendix C be approved.

## **3 Background to the changes since the Cabinet Meeting**

- 3.1 The changes to the recommendations since the Cabinet meeting have been made to reflect updated information from the billing authorities. They 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 2020. The recommendations in this report reflect the information received at the time that the Council agenda was required to be published. There could be further changes to this information. The recommendations made by Cabinet were based upon estimates of these figures, before receipt of the final submissions from the billing authorities. In addition, there have been changes in the amount of income anticipated to be received from central government.
- 3.2 This information has now been submitted to the County Council and as a result there have been the following changes:
- The anticipated income from non domestic rates (NDR) has been increased by **£216,000**
  - Additional Business Rates Compensation Grant of **£1.7m**
  - NDR collection fund deficit has reduced by **£530,000**
- 3.3 Brentwood District Council has not submitted a final NDR return due to an extension to the deadline granted by the Ministry of Housing, Communities and Local Government (MHCLG). 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 the Council's funding of **£2.4m** over that used by the Cabinet to calculate the budget recommendations. This additional funding will be put to the Transformation Reserve.
- 3.5 The table below shows the recommendations made by the Cabinet and the revised recommendation to Council made by the Leader (who is currently the Cabinet Member responsible for Finance):

|                                     | Cabinet<br>Jan-20 | Council<br>Feb-20 | Movement     |
|-------------------------------------|-------------------|-------------------|--------------|
|                                     | £m                | £m                | £m           |
| Council Tax Requirement             | (707.8)           | (707.8)           | -            |
| Revenue Support Grant               | (18.6)            | (18.6)            | -            |
| Non-Domestic Rates                  | (179.9)           | (180.1)           | (0.2)        |
| Non-Domestic Rates Deficit          | 0.6               | 0.1               | (0.5)        |
| General Government Grants           | (77.4)            | (79.0)            | (1.7)        |
| Council Tax Collection Fund Surplus | (7.1)             | (7.1)             | -            |
| <b>Total Funding</b>                | <b>(990.2)</b>    | <b>(992.6)</b>    | <b>(2.4)</b> |
| Net cost of services                | 990.2             | 992.6             | 2.4          |
| <b>Total Expenditure</b>            | <b>990.2</b>      | <b>992.6</b>      | <b>(2.4)</b> |
| Surplus / (Deficit)                 | -                 | -                 | -            |

#### **4 Statement of the Executive Director for Finance and Technology (S151 Officer)**

4.1 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.

4.2 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.

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

5.1 The findings of the Equality Impact Assessment (EIA) carried out are included in Appendix B of this report.

#### **6 Relevance to the Council's Organisation Strategy and Plan**

6.1 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.

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

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

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

7.3 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.

7.4 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 the Council 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.

7.5 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.

7.6 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.

7.7 A briefing on the budget for members of the Corporate Policy and Scrutiny Committee was held on 28 January 2020.

## **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 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 (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 and under 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 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.
- 8.8 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.
- 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. 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'.
- 8.11 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'.

## **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 Equality 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 8.7 of this report for further information.

## **11 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**