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| <b>Report title:</b> Organisational Plan and Budget 2019/20 – Part 1: Section 151 Officer Report |                        |
| <b>Report author:</b> Margaret Lee, Executive Director, Corporate and Customer Services          |                        |
| <b>Date:</b> 22 <sup>nd</sup> January 2019   | <b>For:</b> Discussion |
| <b>Enquiries to:</b> Margaret Lee, Executive Director, Corporate and Customer Services           |                        |
| <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 2019/20 revenue budget and the Capital Strategy. The S151 Officer for the Council is the Executive Director, Corporate and Customer Services.

## **2. Recommendations**

- 2.1 To note this report before making recommendations to Council on the budget and capital programme, included within the Organisation Plan.

## **3. Assurance Statement of the S151 Officer (Executive Director for Corporate and Customer Services)**

- 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 Council has a good track record on financial management and delivering savings.
- 3.3 The control environment and associated processes in place are robust.
- 3.4 I believe the level of reserves are appropriate but require continual monitoring in light of risks.
- 3.5 The 2019/20 revenue budget and the capital programme are included elsewhere on the agenda. Whilst the budget shown is balanced, there remains a significant gap between our estimated spend and funding streams for 2020/21 and onwards. The Council therefore needs to maintain focus on financial sustainability and producing 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 a number of services, which will deliver the strategic aims and priorities of the Organisation Strategy.
- 4.3 This report concentrates on the draft 2019/20 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 There are still significant challenges ahead. There have been significant reductions in Central Government funding, and increasing demand for social care services which has attracted much attention nationally. The Council faces a **60%** reduction in Central Government revenue support grant, when compared to the current year, and this is on top of **38%** in the previous year. Overall, there has been a total reduction of £214m per annum since 2013/14.
- 5.2 The authority took up the Government's offer of a four year settlement, thereby providing greater certainty over government funding streams. 2019/20 is the last year of this deal.
- 5.3 Beyond 2019/20, there is uncertainty around the future of local government finance. It is expected that Revenue Support Grant will be removed, and more business rates retained locally. The Government is also reviewing the allocation of funding across local authorities; this is known as the Fair Funding review.
- 5.4 The uncertain funding position makes it difficult to plan for the long term. In addition, like most local authorities, we are also experiencing increasing demand for our services.

## **6. Revenue Budget**

- 6.1 If it accepts the recommendations in the budget report, the Council plans to spend **£2.5bn** in 2019/20 (including schools). After income, this equates to a net expenditure budget of **£937.5m**, an increase of **£22m**, (2.4%) on 2018/19. This compares to CPI of 2.3%.
- 6.2 The 2019/20 budget includes a **£20m** reduction in central government grants compared to the previous year, inflationary pressure (including National Living

Wage) of **£20m**, and service pressures offset by additional income of **£20m** resulting in a net pressure of **£60m**.

- 6.3 The budget assumes **£60m** of savings to balance the 2019/20 budget. The savings include contract efficiencies, back office savings through process efficiency, service redesign and digital services, increasing income from fees and charges and commercial activity, development of our fostering service, more cost-effective ways of supporting children with disabilities and making sure that people get the right social care.

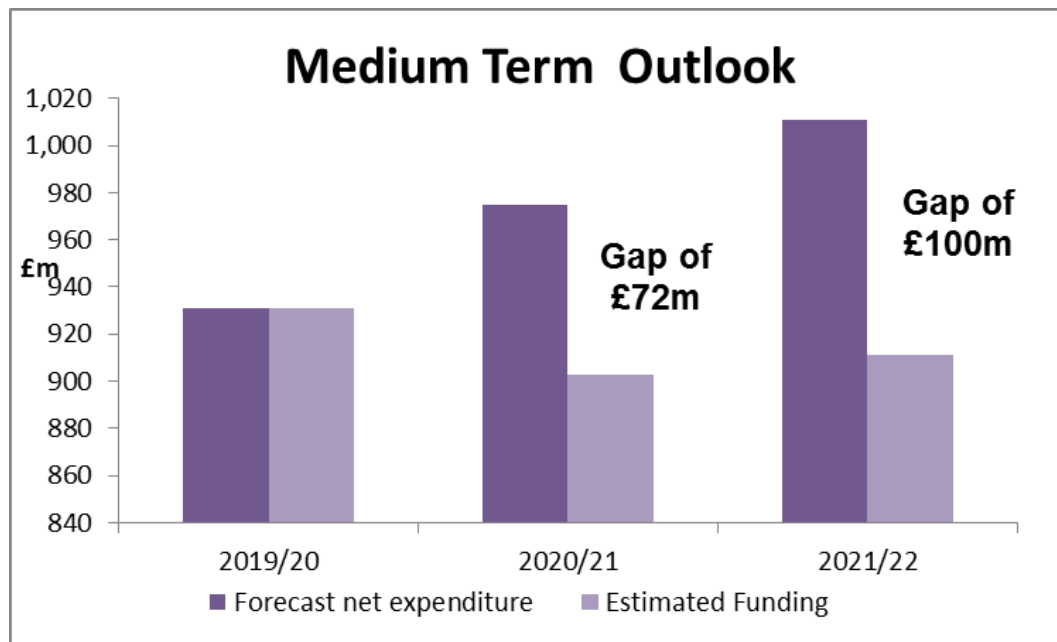
## **7. Funding**

- 7.1 In 2016/17 the Government agreed that local authorities with social care responsibilities were allowed to increase council tax by an additional **2%** if the money raised was spent on adult social care. This is referred to as the 'adult social care precept'. In the Provisional Finance Settlement for 2017/18 it was announced that social care authorities could increase the social care precept by a total of 6% across the three years to 2019/20.
- 7.2 The Council raised the adult social care precept by **3%** in 2017/18, a further **2%** in 2018/19, and proposes to increase it by **1%** in 2019/20. A **1%** increase will yield an estimated **£6m** in 2019/20, which whilst being a contribution to the financial pressures relating to social care does not cover the increased costs in this area which are estimated to cost £22m due to inflation (including the cost of funding increases in the National Living Wage) and demographic growth.
- 7.3 Government has also set the Referendum cap for core Council Tax at 3%. The Council is also proposing to implement a **2.99%** increase in core council tax (in addition to the **1%** social care precept referred to above). The decision to increase council tax is a political one – and any increase is a balance between the need to provide a sound financial base for the provision of services on an on-going basis, and the needs of the taxpayer. The increases proposed within this budget will not only contribute additional funds for 2019/20, but will also provide an increase to the council's base funding position going forward.
- 7.4 The provisional settlement from Government assumes that the authority will increase Council Tax by the maximum amount possible.
- 7.5 The 2019/20 budget incorporates **£16m** of additional money recently announced for social care. Part of this money (**£5.9m**) relates to the continuation of the winter pressures announced in 2018/19, and has to be pooled within the Better Care Fund, which will be spent on schemes currently being developed with health partners. There are no grant conditions for the remaining money. Therefore this has been allocated equally between adult social care and children's social care. Whilst this money is welcomed, it is only one off, therefore does not offer a sustainable funding solution for social care.

## 8. Financial Strategy

8.1 A balanced budget for 2019/20 is presented. However 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:



8.3 There has been some comment in the press recently about local government financial resilience and some authorities are reported to be facing some difficulties. This authority is not in this position. However the focus on financial sustainability is key to ensure that this does not happen in future.

8.4 It is therefore essential that the Council continues to identify further income and opportunities for 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 also indicated, within the budget proposals, an aspiration to invest considerable sums through the capital programme over the next three years. Our capital programme aspirations will deliver a range of schemes to maintain, enhance and deliver new assets, some of which will help to deliver revenue savings. To the extent that the Council has to borrow sums to pay for this investment, it will incur borrowing costs, which increase the pressure on the revenue budget.

- 9.2 The revenue costs of borrowing to finance the capital programme will rise from 7% of the net budget in 2017/18, to an estimated 9.1% by 2021/22. In 2019/20, 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 mitigate the impact on the revenue budget of the borrowing costs.
- 9.3 Whilst the Council is able to 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 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 Annex 3. The Executive Director for Corporate and Customer Services 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 at present. A focus of much of this investment 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.

- 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 maximising funding from a range of sources.
- 9.8 The Council's approach to treasury management investment activities is set out in Appendix A (Annex 3 page 71), 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 2019/20 is consistent with that applied in previous years, other than where changes have been necessary due to external factors.
- 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 dedicated schools grant (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 authority.

- 10.2 Due to continued growth within Special Educational Needs and Disability (SEND), Dedicated Schools Grant (DSG) there remains a pressure on the High Needs Block (HNB), which is expected to continue. Since a change to the Code of Practice in 2015 there has been an annual increase in the demand placed upon the HNB as the number of pupils with Education Health and Care Plans (EHCPs) increases year-on-year. The increased demand is reflected nationally and is resulting in a significant shortfall in High Needs funding. The drivers of the pressure are:
- Between 2015 and 2018 there was an increase of 22% of the number of children and young people with EHCPs
  - The cost of EHCPs is increasing due to an increase in the complexity of SEND pupils
  - There has been a significant increase in the number and cost of Essex pupils educated in maintained schools in other local authorities and particularly those attending special schools.
  - There has been a dramatic increase in the number of pupils with autism which has increased by 49% since 2015
  - The extension of pupils' statutory SEND from 0-25, where previously it was 5-18, was not funded by the Government and it is contributing to the pressure on the High Needs Block
  - A significant rise in the number of appeals to SEND Tribunals
- 10.3 These pressures are causing an over spend in the current year and will continue in future years, and at this stage are not fully funded. The DSG over spend is currently accounted for by raising a debtor against future grant, given the authority's entitlement to it. It should be noted that this increased demand also impacts other Non DSG services provided by the authority, namely SEND home to school transport and Transitions.
- 10.4 A specific strategic review of high needs has been undertaken and is now under discussion as to how this will be implemented and areas / choices that can be identified to mitigate over spend and so gives opportunity for a full review since this demand will impact on other services of the authority.

## **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 A substantial amount of the Council's reserves (£208m) 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.
- 11.4 Excluding these specific funds, the remaining reserves (£53m) 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.
- 11.5 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 **£56m** which is sufficient to fund the council's activities for 22 days.
- 11.6 When the 2018/19 budget was set, there was no planned use of reserves at that stage (i.e. no use of reserves was necessary to balance the budget). During the year, £23m 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 2019/20 to ensure there are sufficient funds available for continued investment in the transformation programme.
- 11.7 All of the funds drawn down during the year have been used for the purposes for which they were originally intended.
- 11.8 The 2019/20 budget proposes the use of £2m from reserves to balance the position. These funds have been identified as no longer being needed in reserves.
- 11.9 The 2019/20 budget also includes some appropriations to reserves. These are proposed to reflect assessments of need or agreed strategies.
- 11.10 Whilst the level of non-restricted use reserves is not sufficient to cover the funding gaps in 2020/21 and 2021/22 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 a number of risks associated with the budget. The key risks are set out in the following paragraphs.



- 12.2 The budget assumes full delivery of **£60m** budget proposals. Officers and members continue to work on delivery plans. At this stage, 18% 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 cases and 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 are able to 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 no agreement on how the country will exit the European Union, this could have an impact on financial and workforce resources, but this is yet unknown.

### **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 has to 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.
- 13.4 The authority also has an emergency contingency, which is set at **£4m**, in addition to the General Balance mentioned above.

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| <b>Report title:</b> Organisational Plan and Budget 2019/20 – Part 2: Budget, Plan and recommendations  |                      |
| <b>Report to:</b> Cabinet   |                      |
| <b>Report author:</b> Margaret Lee, Executive Director for Corporate and Customer Services and Jason Kitcat, Executive Director for Corporate Development |                      |
| <b>Date:</b> 22 January 2019  | <b>For:</b> Decision |
| <b>Enquiries to:</b> Margaret Lee, Executive Director for Corporate and Customer Services or Jason Kitcat, Executive Director for Corporate Development   |                      |
| <b>County Divisions affected:</b> 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 2019/20 including the revenue budget, capital programme, financial strategy, and capital strategy. In doing so, the report of the Section 151 Officer on the robustness of the 2019/20 Budget and adequacy of reserves, included elsewhere on this agenda should be considered.
- 1.2 The Organisation Plan publishes our achievements in 2018/19 and our plans for 2019/20, highlighting those actions that the Council will focus on.
- 1.3 The report includes the Council's proposed financial strategy from 2019/20 to 2021/22, 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 2019/20, this does assume full delivery of savings and there is not yet a balanced position for 2020/21 and 2021/22.

## **2 Decision Areas and Recommendations**

**Organisational 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 **£937.5million (m)** for 2019/20 – Appendix A (page 28).

- 2.3 The net revenue budget requirement to be set at **£879.8m** (net cost of services less general government grants) for 2019/20 – Appendix A (page 28).
- 2.4 The total council tax funding requirement be set at **£671.3m** for 2019/20 – Appendix A (page 28).
- 2.5 That a 1% 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 2019/20 will be **£1,270.44**. A full list of bands is as follows:

| Council Tax Band | 2018/19<br>£    | 2019/20<br>£    |
|------------------|-----------------|-----------------|
| Band A           | 814.50          | 846.96          |
| Band B           | 950.25          | 988.12          |
| Band C           | 1,086.00        | 1,129.28        |
| Band D           | <b>1,221.75</b> | <b>1,270.44</b> |
| Band E           | 1,493.25        | 1,552.76        |
| Band F           | 1,764.75        | 1,835.08        |
| Band G           | 2,036.25        | 2,117.40        |
| Band H           | 2,443.50        | 2,540.88        |

- 2.6 That the proposed total schools budget be set at **£1,113.8m** for 2019/20 which will be funded by the Dedicated Schools Grant, the Pupil Premium Grant and the Universal Free School Meals Grant. The majority of this will be passed through to maintained schools and academies.
- 2.7 That the underlying balance on the General Balance be set at **£55.7m** as at 1 April 2019 (Appendix A, Annex 1, page 53).
- 2.8 That the capital payments guideline be set at **£249m** for 2019/20 and that the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Finance, Commercial and Traded Services 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 2019. 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 Cabinet Member for Finance, Commercial and Traded Services, in consultation with the Executive Director for Corporate and Customer Services, may make adjustments to the recommendations to Full Council upon receipt of:
- (a) the final tax base and forecast business rates receipts for 2019/20 from the billing authorities (due by 31 January 2019)
  - (b) the final settlement from Government (expected early February 2019)
- 2.10 That the report by the Executive Director for Corporate and Customer Services (section 151 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 2019/20 to 2021/22 Prudential Indicators and limits, together with updated limits for 2018/19 as set out in **Annexes 3A and 3B** of the Capital Strategy (Appendix A) be approved
- 2.12 That the Treasury Management Strategy for 2019/20 be approved comprising:
- a. Borrowing strategy, as set out in **Annex 3** of the Capital Strategy (Appendix A, Annex 3, page 64).
  - b. Treasury management investments strategy, as set out in **Annex 3** and **Annex 3D** of the Capital Strategy (Appendix A, Annex 3, page 71).
  - c. Indicative strategy for commercial investment activities, as set out in **Annex 3** of the Capital Strategy (Appendix A, Annex 3, page 75).
- 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 85) 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 2019/20 as set out in Appendix C.

**For Cabinet to note:**

- 2.15 Note the medium term (2020/21 to 2021/22) revenue issues facing the Council as set out in the report (Appendix A, page 20), 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 changes in national and local circumstances.

- 2.16 Note that the recommendations in this report present a balanced budget for 2019/20. The Council's plans for 2020/21 and 2021/22 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 tax base of **528,411** properties (see Appendix A, page 28).
- 2.18 Note that the budget may increase as a result of the additional money announced for Local Roads (**£10.9m**). As the time of writing, grant conditions have not been received from the Department of Transport.
- 2.19 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 non-commercial 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 defining the Council's risk appetite in respect of these, including proportionality in respect of overall resources.

### **3 Statement of the Executive Director for Corporate and Customer Services (S151 Officer)**

- 3.1 The Executive Director for Corporate and Customer Services is the chief finance officer appointed under section 151 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 Corporate and Customer Services (section 151 officer) on the robustness of the estimates and reserves and capital strategy are 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 2019/20 budget are published on our website. Those are provided for information only. Cabinet is not asked to set these fees and charges by approving this report.  
<http://www.essex.gov.uk/Your-Council/Council-Spending/>

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

- 5.1 The Organisation Plan for 2019/20 covers the action the Council will take next year to contribute to our Organisation Strategy, alongside our 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 is underway with the representatives of the Essex business community, the results of which will be set out in the report to Full Council.
- 6.4 This report will also be reviewed by the Corporate Scrutiny Committee prior to final presentation of the Organisation Plan to Full Council on 12 February 2019.

#### **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 in 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 2019/20 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 2019/20 published by the Secretary of State in December 2017 state that for the Council any increase of 3% or more (excluding social care precept) would be defined by the then Secretary of State as 'excessive'.
- 7.11 The social care precept is proposed to be achieved by allowing authorities to increase council tax up to a maximum of 6% between 2017/18 and 2019/20, with increases being no more than 2% in 2019/20. 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 2019/20 has not yet been made, and a decision is not expected until early February 2019. 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 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.
- 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 as part of individual changes to services being considered to implement the budget - 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 2019/20**

**Appendix B – Equality Impact Assessment (Organisation Plan and Budget)**

**Appendix C – Pay Policy Statement**