

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Management Team
to
Cabinet

On
13 February 2018

Report prepared by: Joe Chesterton
Director of Finance & Resources

General Fund Revenue Budget 2018/19

All Scrutiny Committees

Executive Councillor: Councillor John Lamb

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present a 2018/19 General Fund revenue budget including schools and a proposal for the level of Council Tax for 2018/19.

2. Recommendations

That the Cabinet recommend to Council that it;

In respect of 2017/18;

- (i) Note the forecast outturn of £123.153 million;**
- (ii) Approve the appropriation of the sums to earmarked reserves totalling £9.868 million, as set out in detail in Appendix 16;**
- (iii) Approve the appropriation of the sums from earmarked reserves totalling £19.069 million, as set out in detail in Appendix 16.**

In respect of 2018/19 and later years;

- (iv) Consider and acknowledge the Section 151 Officer's (Director of Finance and Resources) report on the robustness of the proposed budget, the adequacy of the Council's reserves and the Reserves Strategy as set out in Appendix 1;**
- (v) Approve a General Fund net revenue budget for 2018/19 of £122.989 million (Appendix 3) and any required commencement of consultation, statutory or otherwise;**

- (vi) Approve a Council Tax increase of 4.49% for the Southend-on-Sea element of the Council Tax for 2018/19, being 2.99% for general use and 1.5% for Adult Social care;
- (vii) Note that the 2018/19 revenue budget has been prepared on the basis of using £2.5 million from the Collection Fund for the core budget to allow for a smoothing of the budget gap across the next three financial year.
- (viii) Note the position of the Councils preceptors:
- Essex Police – approved Council Tax increase of 7.62%;
 - Essex Fire & Rescue Services – approved Council Tax increase of 2.99%;
 - Leigh-on-Sea Town Council - approved precept increase of 1.96%.
- (ix) Approve that no Special Expenses be charged other than Leigh-on-Sea Town Council precept for 2018/19;
- (x) Approve the appropriation of the sums to earmarked reserves totalling £11.768 million, as set out in Appendix 16;
- (xi) Approve the appropriation of the sums from earmarked reserves totalling £6.894 million, as set out in Appendix 16;
- (xii) Approve the schools' budget and its relevant distribution as recommended by the Education Board and as set out in Appendix 2;
- (xiii) Approve the on-going investment required of £3.775 million (Appendices 12 and 13) and the General Fund and Public Health savings required of £7.594 million (Appendices 14 and 15) and the subsequent individual service cash limits for 2018/19, as contained in Appendices 3 to 11;
- (xiv) Endorse the direction of travel for 2019/20 and beyond (Section 11);
- (xv) Approve the revised Medium Term Financial Strategy up to 2021/22 (Appendix 17).

That Cabinet;

- (xvi) Delegates authority to the Director of Finance and Resources (S151 Officer) in consultation with the Leader to make the required changes to the Council Budget following the final Local Government Finance settlement and other related Government announcements.

3. Council Budget Process

- 3.1 The Council must set its revenue budget and Council Tax by 11 March of the preceding financial year. If, for whatever reason, the Council cannot agree a budget and Council Tax at Council on 23 February, Members should be aware that it is unlikely that the Council Tax bills could be sent out on time for the 1 April instalment (taking into account the necessary notice period and the time required to print the bills and accompanying leaflet).
- 3.2 It is also good practice to approve the capital programme and fees and charges at the same time as the revenue budget and reports elsewhere on this agenda deal with these matters. It should be noted that the revenue impact of both reports have been factored into the 2018/19 revenue budget proposed in this report.
- 3.3 The Housing Revenue Account (HRA) budget also needs to be agreed in a timely manner to ensure rent levels can be reflected from 1 April of each year. A separate report elsewhere on this agenda deals with Housing Rents, Charges and the HRA budget for 2018/19.
- 3.4 This report presents the proposed 2018/19 General Fund revenue budget of the Cabinet for recommendation to the Council at its meeting on 22 February 2018. It builds on the draft budget approved for consultation by the Cabinet at its meeting on 18 January 2018. It also now provides the latest position on the forecast outturn for 2017/18.
- 3.5 The Director of Finance and Resources' statutory statement on the robustness of the estimates and adequacy of reserves under s25 of the Local Government Act 2003 is included at Appendix 1. It should be considered by the Cabinet before recommending a budget to Council. It must also be considered by the Council before approving the budget and Council Tax.

4. Forecast Outturn 2017/18

- 4.1 The original budget for 2017/18 totalled £123.153 million and was to be met from available government grant and council tax and no use of revenue balances was anticipated.
- 4.2 Members have been supplied with projected outturn information throughout the year, based on forecasts and expectations of the Chief Executive and the Deputy Chief Executives and their Budget Managers, and in light of corrective action that they have identified as being necessary. The latest forecast outturn for 2017/18 amounts to £123.153 million. This forecast outturn includes a net appropriation from earmarked reserves totalling £9.201 million, details of which are shown in Appendix 16.
- 4.3 The reasons behind the year end projected position have been reported to all Members through the monthly budget monitoring process. The actual figure for the end of 2017/18 will be considered as part of the out turn report for 2017/18, which will be presented to the Cabinet in June 2018.

5. Budget 2018/19

Government Funding – Grant and Finance Settlement

- 5.1 Government funding of its main grant (formerly Formula Grant) is now the third ranked provider of funding for the Council's total general fund budget (excluding schools) after Council Tax and Business Rates. As such it represents a vastly reducing factor in determining the Council's revenue budget. The provisional Local Government Finance Settlement for 2018/19 was issued by the Department for Communities and Local Government (DCLG) on 19 December 2017 and this represents the Government's next two year spending plans. The final Local Government Settlement is due to be announced in February 2018, the actual date has not yet been announced at the time of writing this report. Therefore, this report is based upon data in the provisional finance settlement.
- 5.2 The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013. To recollect for Members the main changes arose from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. In previous years, the settlement announcement provided local authorities with their expected general revenue allocations for the following financial year. The settlement now provides authorities with a combination of provisional Revenue Support Grant (RSG) allocation and confirmation of Business Rates top up grant.
- 5.3 A key change in the 2016/17 settlement was the Government's recognition of the demand and demographic expenditure pressures on Adult Social Care and the ability for Local Authorities to implement an Adult Social Care precept of up to 2% to support the growing expenditure on Council budgets in this area.
- 5.4 The Adult Social Care precept is confirmed to continue, however, last year the Government introduced a flexibility to the precept in that the maximum 6% increase allowed over the three years (2017/18 to 2019/20) can be applied in any of the three years as long as the precept did not exceed an additional 3% in 2017/18 2018/19 and an additional 2% in 2019/20.
- 5.5 Additionally, the 2016/17 settlement introduced a minimum RSG settlement for 4 years up to 2019/20. This was conditional upon the Council submitting an Efficiency Plan by 14 October 2016, which was duly submitted by the due date. DCLG has confirmed acceptance of the Council's efficiency plan and therefore to its entitlement of a guaranteed minimum sum of RSG.
- 5.6 The key points arising from the provisional settlement for Southend-on-Sea Borough Council are:
- (i) The provisional Settlement Funding Assessment (SFA) (a combination of actual RSG and estimated business rates income) for 2018/19 is £44.269 million. This compares to an adjusted SFA of £47.642 million in respect of 2017/18 (a reduction of £3.373 million and equivalent to a 7.1% reduction);

- (ii) The RSG element for 2018/19 within the provisional SFA is £10.318 million. This compares to an adjusted RSG of £14.681 million in respect of 2017/18 (a reduction of £4.363 million and equivalent to a 29.7% reduction);
- (iii) The settlement provides indicative figures for a two year period (2018/19 to 2019/20);
- (iv) Some capital and specific grants are provisional and yet to be announced in full;
- (v) As last year there is no Council Tax freeze grant offered by the Government this year;
- (vi) The 2018/19 referendum limit for Council Tax increases has been announced at a level of 6%, being 3% for expenditure on adult social care and 3% for other expenditure (2017/18 this was set at 5%, being 3% and 2% respectively);
- (vii) A review is to be undertaken of the relative needs and resources of Local Authority's to provide an updated and more responsive distribution methodology of remaining Government funding. The results of the review will be introduced in 2020/21 to coincide with the move to 75% Business Rates Retention in the same year;
- (viii) For 2018/19, funding to support social care and benefit health is being continued through the Better Care Fund (BCF); a pooled budget between the Council and Southend Clinical Commissioning Group (CCG). The settlement for 2017/18 was a two year settlement to enable both the local authority and CCG to better plan future activity. The Council's share of the BCF for 2018/19 is expected to be £5.859 million for revenue services plus £1.406 million for disabled facility grants;
- (ix) In addition, as announced in the 2015 Spending Review, the Council is also due to receive the next tranche of a new "improved" BCF directly through a S31 grant to further assist with the inherent pressures in adult social care. The indicative sum for 2018/19 is £5.429 million;
- (x) Working against the increase in Adult Social Care Precept and Better Care Fund resources, the Government have confirmed the loss of the one-off £828,000 Adult Social Care grant received last year;
- (xi) There was a national revaluation of business rateable values on 1 April 2017. Nationally the revaluation has resulted in a net increase of RV's, although some areas and some business types have seen reductions. The Government intended to change the basis of determining the annual increase in the business rate multiplier in 2020/21 but has now brought this change forward to 2018/19. Essentially this means the multiplier increase is based on the CPI inflation figure rather than the RPI at September each year. The September 2017 CPI was 3.0% rather than the RPI at 3.9%. Local Authority's will be reimbursed the 0.9% difference

through a S31 grant. Therefore, the provisional small business non-domestic rates multiplier has been set at 48.0p (2017/18=46.6p) with the associated non-domestic multiplier has been set at 49.3p (2017/18=47.9p);

- (xii) Non-domestic rates are set nationally by the Government and collected locally by Councils (billing authorities). Under the current arrangements for the localisation of business rates a sum of 50% is returned to Government who then reappportion this sum back to Local Government as part of their main grant settlement. The remaining 50% is retained 49% by the Council and 1% is distributed to the Essex Fire Authority. The Council's actual income from business rates is therefore dependent upon the performance of the local economy, the success of any rating appeals and collection rates. The Police Authority receive their funding separately;
- (xiii) The Government has also announced that they will not proceed with their intention of moving to 100% business rates retention but to now move to 75% business rates retention for Councils for 2020/21. To enable this switch to occur this will see the removal of the Public Health grant and adjustments to the final elements of Revenue Support Grant;
- (xiv) The Public Health service grant allocation for 2018/19 has been notified as £9.462 million (a reduction of £0.25million on 2017/18). Additionally an indicative allocation of £9.212 million has been announced for 2019/20 (a further reduction of £0.25 million on 2018/19);
- (xv) The consultation on the provisional finance settlement ended on 16 January 2018. The actual timing of the final announcement has yet to be announced, but would normally follow shortly after the consultation period has ended. The provisional settlement does refer to February for the final settlement. A verbal update will be given to Cabinet on any further information surrounding the final finance settlement and any implication on the setting of the Budget.

5.7 It is very disappointing that the Government has not yet announced a date for the issuance of the final settlement for February, as it does not assist Local Authorities in finalising their budget plans for the forthcoming financial year. In addition, there are other Government announcements yet to be made including the terms for the Better Care Fund for 2018/19 and other relevant regulations.

5.8 Normally, the difference in the Government grant allocation between the provisional and final settlement is minimal and is dealt with in the final budget report to Cabinet. However, it is not possible to do that given the timing of when the announcement will be made.

5.9 Therefore delegated authority is recommended for the Director of Finance and Resources (S151 Officer) in consultation with the Leader to finalise the Council budget in time for Budget Council on 22 February 2018 once the settlement and other matters are announced.

- 5.10 If there is a difference of Government grant in the final settlement compared to that in the proposed budget then this will be dealt with by an adjustment to earmarked reserves.
- 5.11 The actions taken under this delegation will form part of the final budget report to the Council.

Government Funding – Dedicated Schools Grant (DSG)

- 5.12 2018/19 sees the introduction of the Government's National Funding Formula (NFF) as the methodology for distributing national resources down to each education authority. That methodology sees the introduction of a four block model.
- Schools Block
 - High Needs Block
 - Early Years Block
 - Central School Services Block
- 5.13 The DSG allocation is released in late December, based on information provided through the previous October schools census. However the Early Years allocation is an estimate, as this ultimately is based on actual participation rather than a fixed budgetary amount.
- 5.14 The total DSG for 2018/19 is £147.7 million (latest allocation for 2017/18 = £143.7 million). In practice the final DSG will exclude funding for Academies and is estimated to reduce by at least £90.9 million to £56.8 million.
- 5.15 In addition to funding from the DSG, schools will receive Pupil Premium grant, which will provide £1,320 / £935 of funding per primary/secondary pupil who have been registered for free school meals in any of the past 6 years. These rates are unchanged from 2017/18. Based on estimates the Pupil Premium will provide an additional £7.8 million for schools in Southend-on-Sea (both Maintained and Academy schools).
- 5.16 As a percentage of their total budget, the overall cash funding for schools will see an increase of circa 2.2% due to pupil number growth and the minimum funding guarantees. The change in budget for individual schools will vary depending upon pupil numbers and pupil funding factors such as free school meals registration, with some seeing a larger change than 2.2% and some less.
- 5.17 The Education Board met on 16 January 2018 to consider its final recommendations for a balanced budget and confirmed their position as presented in the draft General Fund Revenue report presented to Cabinet on 28 January 2018. The final agreed position for Schools is as set out in Appendix 2.

General Fund Revenue Budget

- 5.18 This Council budget has been prepared against the background of the Governments' spending plans through various Budget speeches, the Chancellor's Autumn Budget Statement and the Local Government provisional finance settlement. The various Government announcements continue to see the

most substantial contraction of available public sector funding, but particularly in Local Government, for many decades.

- 5.19 In addition, it continues to be based upon the Government's significant funding reform for Local Government that has been the most radical in generations. As a result of both the significant contraction of available funding and the financial reforms there is a consequent need to continue to find a significant level of revenue savings over the next four financial years.
- 5.20 Using portfolio holder input a detailed draft budget has been prepared by senior officers for the Cabinet to put forward that addresses the need for significant savings to be addressed and to set a balanced and robust budget. The various budget consultations have also assisted in informing the compilation of the Council's budget.
- 5.21 The draft General Fund Revenue budget for 2018/19 was considered by Cabinet on 18 January 2018. It was referred to Scrutiny Committees in late January 2018 for detailed Member consideration. The same draft budget was used to brief staff, consult with trade unions, the voluntary sector, the business sector and to brief the local press.
- 5.22 The 2018/19 General Fund revenue base budget requirement before savings and ongoing investments is £128.232 million. Available funding, including Council Tax, Adult Social Care precept, estimated Business Rates and Government grant is £120.489 million. A high level budget summary of the position is set out at Appendix 3. The 2018/19 revenue budgets for each Portfolio are then set out in Appendices 4 to 11 and show the original budget and probable outturn for 2017/18 and the 2018/19 base budget before and after savings and ongoing investments.
- 5.23 The budget identifies a number of ongoing investments being faced by the Council, which need funding and these total £3.775 million. These are set out in detail in Appendices 12 and 13. After applying the required ongoing investments of £3.775 million to the base budget there is a budget gap to find in 2018/19 of £11.518 million through departmental savings, corporate contingencies and earmarked reserves.
- 5.24 Along with all other Local Authorities the Council is facing extreme demand and cost pressure in Adult Social Care and Children spending. The Local Government Association (LGA) estimates that Adult Social Care faces a national funding gap of £1.3 billion by 2019/20 (even with the measures announced in the 2015 Spending Review) based on pressures caused by demography, inflation and the National Living Wage. In addition to this, LGA analysis of "fair price" of care calculations developed by provider organisations suggests that the scale of the immediate challenge could be in the order of at least £1.3 billion. This is the minimum requirement to stabilise the provider market meaning that a total of at least £2.6 billion is needed by the end of the decade.
- 5.25 The Council's budget setting needs to recognise these spending pressures to ensure that a robust budget is set alongside managing the risks of service delivery in these areas.

- 5.26 The Budget ongoing investment proposals recognise these known cost pressures the Council is currently facing. For Adult Social Care spending, a number of the pressures can be financed by the increase in the Adult Social Care Precept. However, Children's cost pressures will need to be financed by the Council Tax. Both areas of required funding have been recognised in the proposed budget. The Adult Social Care and Children cost pressures identified for the 2018/19 proposed budget reflect the realignment of the respective base budgets to ensure there is adequate budget to manage the required service demands and delivery.
- 5.27 Additionally, given the volatile national picture outlined above, it is recommended that within the earmarked reserves that specific reserves are identified to act as a precaution to any further in year demands on Adult Social Care and Children spending. The identification of these reserves form part of the S151 Officers statement on the adequacy of balances and the robustness of the budget at Appendix 1 and included within the Medium Term Financial Strategy at Appendix 17.
- 5.28 In 2017/18, the totality of the £3.375 million Adult Social Care Precept was used to support the Adult Social Care budget, through a combination of service enhancements, meeting cost and demographic pressures and financing the preservation of existing services. It is proposed that, as last year, the £1.135 million increase in the Adult Social Care precept available (bringing the total precept to £4.510 million) will in part support the on-going investment in the Adult Social Care service. The total on-going investment into Adult Social Care is £2.110 million, so it is further proposed to use some of the increase in BCF resources to meet the remaining £0.975 million. In addition the BCF will be used to compensate for the loss of the adult social care grant, bringing the total use of new BCF resources to support the budget to £1.803 million.
- 5.29 The use of a proportion of the BCF in this way will reduce the budget gap of £11.518 million to £9.715 million.
- 5.30 The budget gap is then reduced further by various savings proposals, which total £7.215 million set out fully in departmental order in Appendices 14 and 15.
- 5.31 By agreeing the proposed savings of £7.215 million (excluding Public Health savings of £0.379 million, as these savings are ring fenced against the Public Health grant allocation) the budget gap falls to £2.500 million. Rather than make more savings to balance the budget, it is proposed to use £2.500 million of the collection fund surplus to balance the budget to allow the smoothing of the three year budget gap.
- 5.32 This will result in a balanced draft 2018/19 revenue budget of £122.989 million (2017/18 £123.153 million).
- 5.33 As part of the budget proposals, there are also some one-off investment items that are proposed to be funded for their temporary nature by the use of earmarked reserves. The items of revenue growth are;
- Homelessness - £75,000 for 2018/19. This funding is to explore and research options to help combat and support the prevention of homelessness;

- Ofsted Improvement Plan £150,000 for 2018/19. Arising from the 2016 Ofsted inspection, further time limited resources are required to ensure delivery of the agreed improvement plan;
- Southend and South Essex Visions 2050 - £75,000 pa for 2018/19 and 2019/20. This funding is to support the development of the Southend Vision 2050 and also to contribute to the six authority partnership to develop the South Essex vision 2050;
- Edge of Care - £250,000 for 2019/20. This funding is for continued preventive work to reduce the number of children being taken into care by supporting the family to keep the child safe at home;
- Economic Development - £100,000 for 2019/20. This is to further enable one-off research and staff support for the promotion of the town;
- School Improvement - £200,000 for 2019/20. This funding is to continue school improvement support including support for pupils to attain Grammar School entrance.

5.34 A total of £0.925 million of earmarked reserves are being used to fund the above items of one-off project spending (of which £0.300 million is in 2018/19).

5.35 In addition, a sum of £95,000 from earmarked reserves is being used to transition the saving for Car Parking income (PL1) until the parking strategy is approved in 2018/19 and implemented in 2019/20.

Appropriations for 2018/19

5.36 The presentation of the budget reflects proposed net appropriations to earmarked reserves totalling £4.874 million, including those used to balance the budget, for which separate approval is sought. Full details are shown in Appendix 16.

Changes made since Draft Revenue Budget presented to Cabinet 18 January 2018

5.38 The changes from the draft budget approved by the Cabinet on 18 January 2018 are:

- The allocation of service on-going investment and savings proposals to individual budgets;
- The allocation of the latest position on the Dedicated Schools Grant;
- The allocation of the latest depreciation budgets
- The overall budget has also continued to be amended for minor changes for accuracy.

5.39 All of these changes are cost neutral on the proposed budget.

Council Tax 2018/19 and Estimated Collection Fund Balance 2017/18

- 5.40 The Council Tax Base for 2018/19 was approved by Cabinet on 18 January 2018 at 57,611.55 (equivalent Band D properties).
- 5.41 The estimated balance on the Collection Fund at the end of 2017/18 shows a projected surplus of £2.5 million attributable to the Council and which has been used in calculating the Council Tax, as statutorily required.
- 5.42 The proposed budget assumes a Council Tax increase at 2.99% for general use on the Southend-on-Sea element of the total Council Tax. There are no implications arising from this increase for a Council Tax freeze grant, as the Government has not offered one this year. In addition no referendum limit has been breached.
- 5.43 The Cabinet (and Scrutiny Committees) may wish to bear in mind that a 1% change in Southend-on-Sea Borough Council's element of the Council Tax is £12.69 per annum for a Band D property. This equates to an amount of circa £0.73 million in the revenue budget for each 1% change.
- 5.44 The proposed Council Tax increase of 2.99% will mean a Band D level of £1,244.53 per annum on the Southend-on-Sea element of the Council Tax. This equates to an annual increase of £37.89 and a weekly increase of 73p.
- 5.45 The total Council Tax payable by tax payers consists of Southend-on-Sea Borough Council precept, the Adult Social Care precept and the precepts for Essex Fire & Rescue Services and Essex Police Authority. Where applicable it also includes the Leigh-on-Sea Town Council precept.

Precepts

- 5.46 Leigh-on-Sea Town Council has confirmed its precept for 2018/19 at £411,692 (2017/18 = £401,085). Based on their council tax base of 8779.95, the Town Council element of the total Council Tax bill will increase from £45.99 to £46.89 at Band D, equivalent to an increase of 1.96% from 2017/18. This only applies to the area covered by the Town Council. The final decision was made at a meeting of the Town Council on 16 January 2018.
- 5.47 Essex Fire & Rescue Services and Essex Police through the Police, Fire and Crime Commissioner has by law to set both precepts no later than 1 March 2018 (after consideration by the Essex Police, Fire and Crime Panel on 22 January 2018).
- 5.48 The Police, Fire and Crime Commissioner has agreed the precept position as:
- Essex Police: Band D Council Tax £169.02 (2017/18 £157.05), which is an increase of 7.62%;
 - Essex Fire & Rescue Services: Band D Council Tax £71.10 (2017/18 £69.03), which is an increase of 2.99%.

- 5.49 In addition, the draft budget also assumes the continuation of the Adult Social Care precept a level of 6.5% of the main council tax (an increase of 1.5% over the previous year). The ability to apply this precept was introduced by the Government as part of the 2016/17 Local Government finance settlement. It was introduced to assist with the increasing demand and demographic expenditure pressures from Adult Social Care that Local Government has been experiencing and are continuing to face. The proposed increase of 1.5% equates to an annual increase of £1.135 million (from £59.30 to £78.29) equivalent to a weekly increase of 36p. It is proposed that the Adult Social Care precept be used to support the service for a mixture of existing and new spending, as set out above in Section 5.

Levies

- 5.50 The Council is required to pay relevant levying bodies, who have all now indicated their levy position for 2018/19. The final levies will be reported on in the Council Tax report for Council on 22 February. The current position for 2018/19 is identified in the table below:-

Levying Body	2017/18	2018/19	Percentage
	Probable	Estimate	increase
	Actual		
	£'000	£'000	%
Kent and Essex Inshore Fisheries and Conservation Authority (Provisional)	21.5	21.5	0.0
Flood Defence – Environment Agency (Provisional)	187.7	194.8	3.8
Coroners Court (Provisional)	370.8	415.2	12.0
Total	580.0	631.5	

The Kent and Essex Inshore Fisheries and Conservation Authority levy is provisional and is proposed at the same level as 2017/18. The Flood defence levy is provisional and the reason for the increase is due mainly to a 4% increase from the Anglian Eastern Regional Flood and Coastal Committee. The Coroners Court levy is provisional and the key reason for the increase in the Coroners court levy is due to an allowance in the budget for the usual increased costs that will be identified when Essex County Council complete their year-end processes.

6. Medium Term Financial Strategy (MTFS)

- 6.1 The Medium Term Financial Strategy that was approved in February 2017 was for a four year period up to the financial year 2020/21. It is now in the need of updating as a result of the recent Local Government Finance Settlement, changes to the projections in the current financial planning figures and a review of our service delivery plans and our corporate priorities.
- 6.2 It is good practice to update the rolling MTFS as part of setting the Council budget and Council Tax to ensure our financial planning is fully aligned and integrated.

- 6.3 The updated MTFs for the period 2018/19 to 2021/22 is attached at Appendix 17.
- 6.4 The MTFs shows a projected further budget gap of £16.9 million for the following three financial years as follows:

2019/20	£7.5 million
2020/21	£4.9 million
2021/22	£4.5 million
£16.9 million	

7. Staffing implications of 2018/19 budget savings proposals

- 7.1 The saving proposals outlined in this report will delete 6.0 full time equivalent (fte) posts across the Council, of which 5.0 (83%) are currently vacant and with one voluntary redundancy.
- 7.2 Formal redundancy consultation with the recognised Trades Unions has commenced and all staff have been fully briefed on the implications of these proposals.
- 7.3 In addition, within the People Department there is a transformation project called adult social care transformation programme (savings proposal PE6), which has the potential to displace staff. Once the transformation plans are fully scoped, the appropriate formal staff consultation processes for these areas will also take place.
- 7.4 The staffing reductions will be managed in accordance with the Council's policies on Managing Organisational Change and Redundancy.
- 7.5 The Council's Workforce Planning Panel will continue to control recruitment to vacant posts (permanent and temporary) and, wherever possible, staff identified as 'at risk' of redundancy will be redeployed through the Talent Pool. In addition, the Council will be working with other Essex authorities and partners in order to maximise redeployment opportunities across the county region.
- 7.6 Volunteers for redundancy have already been sought in order to minimise the number of compulsory redundancies.
- 7.7 A comprehensive package of support for all staff but particularly those directly affected by these proposals has been put into place. This includes coaching and counselling, as well as practical support with job applications and money management.

8. Corporate Priorities

- 8.1 The proposed revenue budget has regard to the Council's 2018/19 Corporate Priorities, which are attached at Appendix 18.

9. Budget Consultation

- 9.1 There is an expectation that local authorities will engage communities in the difficult decisions that will determine what services are delivered by the Council and how.
- 9.2 The Council has undertaken a number of targeted consultations which have focused on service redesign and renewal of contracts for commissioned services to implement previously agreed savings, improve the service offer and help inform budget proposals for 2018/19. Such consultations with service users and wider stakeholders have included those on: Council Tax Reduction Scheme; community commissioning prospectus; services to parents and young people with special educational needs and disabilities; passenger transport review; a skills and labour strategy for Southend; air quality action plan, coastal defences; school admission proposals; training provision for Southend Adult social care providers; pharmaceutical needs assessment; hate incident reporting; CCTV provision; South Essex Active Travel programme as well as the development of the Queensway regeneration project.
- 9.3 Alongside the targeted consultations, Our Town Our Future, a community visioning exercise, that will help shape the development of a vision of the Borough up to 2050, has been taking place throughout 2017.
- 9.4 The overall results and comments from the consultation have continued to help inform the preparation of the 2018/19 revenue budget.
- 9.5 The draft budget approved at Cabinet on 18 January 2018 has been presented to all three Scrutiny Committees and a meeting of the Business and Voluntary Sector. The feedback from each of these scrutiny bodies is as follows;-

Place Scrutiny – the Committee sought clarification as to why there had been movement in a number of specific income lines in respect of their areas of responsibility.

People Scrutiny – clarification was sought on the ASC transformation saving (PE6) with regard to, what will change, the detail for a number of the individual projects and how many staff could be affected.

Policy & Resources - clarification was sought on the progress of last years of one-off resources for commercial opportunities and what projects/services there currently are to deal with homelessness.

Business and Voluntary Sector - clarification was sought on resources for homelessness, support for inward investment, if the budget proposals had any effect on children's centres and methods used for Council Tax collection.

10. Equality Impact Assessments (EIA) – Making fair financial decisions

- 10.1 Each department has produced a departmental equality analysis taking into consideration any equality and cohesion impacts that restructuring their service may have on staff and service users. The results were then challenged by an internal team of officers and then by the Corporate Management Team.
- 10.2 As before the aim will be to protect delivery of key frontline services as well as highlight greater opportunities for collaborative working with partners to deliver services. Staff, Councillors, Trade Unions, Service users and residents were consulted and engaged in the process. These include but were not limited to, Chief Executive briefing sessions, Departmental Management and Team meetings, workshops and resident engagement via the budget consultation process.
- 10.3 Recommendations made in departmental supporting action plans identify how each department will aim to address and mitigate any indirect differential impact on staff and services over the coming year.
- 10.4 An overarching EIA is attached at Appendix 16.

11. 2019/20 and Beyond

- 11.1 In addressing the national economic situation the Government has continued to emphasise the need to look further at a programme of public sector spending restraint and reconfiguration. This was reinforced in the Chancellor's Autumn Budget Statement on 22 November 2017 with further restriction placed on the Government's public spending plans up to 2021 with the commitment to its departmental spending plans set out in the Spending Review 2015. The tightening and reduction of Government funding contributions to local government funding along with the Government's previous changes from April 2013 and the proposed changes for the funding of Local Government, means that the current financial challenges for 2019/20 and beyond will continue. This needs to be seen as part of a continued period of financial retrenchment that Local Government has already encountered and that councils will need to consider a much longer spending reduction programme than previously identified by Central Government and which also links into the impending need for Council's financial self-sustainability.
- 11.2 This report predominantly addresses, as we are required to do, a detailed budget for 2018/19 but it is also appropriate to identify the areas the Council should continue to explore in order to meet the budget constraints of future years and also tailor the services it provides and review its role within national policy and local circumstances. As we develop the Councils vision 2050 and the South Essex vision 2050 we need to be mindful of how we align and prioritise our resources to achieve these visions but also ensure we focus on delivering our required outcomes.

- 11.3 Like all local authorities in England, Southend-on-Sea Borough Council is facing unprecedented financial challenges. The Council has, over a number of years, addressed significant funding gaps whilst also achieving improved efficiency and service delivery. In the current, and forecast, period of national financial stringency the scale of financial contraction is such as to challenge the scale, nature and purpose of the role of the Council.
- 11.4 Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost. As funding continues to reduce greater pressure is being placed upon the services provided by the Council and also the way in which these are delivered.
- 11.5 Since the beginning of the national fiscal situation the Council has striven to sustain its full range of services but it is increasingly likely that this approach will be unviable.
- 11.6 The Council will increasingly focus the delivery of its services in a targeted way, concentrating on delivering services to those residents who need the Council's help. The Council will also adopt this as an approach in tailoring the delivery of its many statutory services. To underpin this approach the Council will also reposition its role as one to help the community, its residents and businesses, to take personal control of as many factors affecting their lives as is possible.
- 11.7 The Council will continue to adopt an increasing approach of working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with the local communities, encouraging community capacity to operate in appropriate circumstances.
- 11.8 The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training and opportunity and by fostering and promoting the local economy and thereby enhancing opportunities for aspiration, attainment, household income and personal achievement.
- 11.9 The Council will also seek to explore innovative income generation opportunities that will assist with increasing the Council's revenue sources to assist with bridging the significant budget gap the Council has to deliver. In addition, there is the intention to look greater at commercial opportunities for services of the Council. Both will assist in supporting the financial self-sustainability of the authority as we move into a period of final withdrawal of central government funding.

- 11.10 Given the financial challenge we have and are to continue to face for a number of years, a continued programme of corporate working will continue with this efficiency drive and to help support the identification of savings for future years. This will allow us to have a programme driving transformational change in the organisation and will allow a clear focus on delivery of the required savings that will be required over this period. A recent corporate transformation review is identifying how the council can work differently and transform services in an efficient manner whilst also delivering key savings for the annual budget.
- 11.11 Over the coming year it will be extremely important to consider future year potential savings proposals in anticipation of delivering tailored services for the community whilst addressing the known budget reductions required from our total budget and reflecting the estimated significant government grant reductions. It is currently anticipated arising from the Autumn Budget Statement in late 2017, that further savings in the order of £17 million will be required from the Council's circa £218 million annual gross budget (after excluding Schools, HRA and Benefits) for the three years 2019/20 to 2021/22.
- 11.12 It is clear that the budget savings presented for 2018/19 cannot be continually repeated in successive years without the Council considering how it delivers services across the borough to avoid duplication of overheads, achieve economic delivery and still provide facilities and services valued by the community.
- 11.13 Whilst looking for further savings in 2019/20 it may be necessary to consider our continued membership of the Local Government Association (LGA) and therefore this report notes the formal position for officers to provide a rolling annual notice to the LGA of our intention to end our membership, given the 1 year notice period required.

12. Corporate Implications

12.1 Contribution to Council's Vision & Critical Priorities

The budget strategy is an integral part of the Council's Corporate Service and Resources Planning Framework.

12.2 Financial Implications

As set out in the body of the report.

12.3 Legal Implications

None at this stage.

12.4 People Implications

The proposed budget will have an impact on staffing levels and the implications are set out in section 9 of this report.

12.5 Property Implications

None

12.6 Consultation

Consultation has taken place with the Chief Executive, Deputy Chief Executives and their Directors as part of the budget preparation process who are fully committed to working within the budget proposed. Members are being consulted through Cabinet, Scrutiny and Council.

Consultation with staff and unions will continue throughout the process. Briefings for local businesses and the voluntary sector have been undertaken to give them an opportunity to find out more about what was in the draft budget from the Deputy Leader and Director of Finance and Resources of the Council.

Staff have been kept abreast of progress and opportunities for contributions through personal briefings by the Deputy Chief Executives and Director of Finance and Resources and through written briefings.

12.7 Equalities Impact Assessment

Assessments have been carried out for proposed savings in the 2018/19 revenue budget and an overarching EIA is attached as Appendix 19 to this report.

12.8 Risk Assessment

The budget proposals have been subject to the Chief Executive, Deputy Chief Executive's and Directors review of risk and robustness. These have informed the Director of Finance & Resources' Section 25 statement of the 2003 Local Government Act on the robustness of estimates and adequacy of reserves as part of this report and the report to Budget Council on 22 February 2018.

12.9 Value for Money

The proposals set out in the report reflect the Council's drive to improve value for money and to deliver significant efficiencies in the way it operates.

12.10 Community Safety Implications

Assessments have been carried out for all revenue proposals.

12.11 Environmental Impact

Assessments have been carried out for all revenue proposals.

13. Background Papers

The Local Government Finance Settlement 2018/19, DCLG

Budget working papers held by the Finance & Resources' Accountancy section.

Equality Impact Assessments

14. Appendices

Appendix 1	S151 Officer's Statement on adequacy of balances and the robustness of the budget
Appendix 2	Schools Budget 2018/19
Appendix 3	Summary of 2018/19 General Fund Revenue Budget
Appendix 4	2018/19 budget - Leader
Appendix 5	2018/19 budget – Corporate & Community Support Services
Appendix 6	2018/19 budget – Culture, Tourism & the Economy
Appendix 7	2018/19 budget – Transport, Waste & Regulatory Services
Appendix 8	2018/19 budget – Housing, Planning & Sustainability
Appendix 9	2018/19 budget – Children & Learning
Appendix 10	2018/19 budget – Health & Adult Social Care
Appendix 11	2018/19 budget - Technology
Appendix 12	Schedule of Proposed Investments
Appendix 13	Description of Proposed Investments
Appendix 14	Schedule of Proposed Savings
Appendix 15	Description of Proposed Savings
Appendix 16	Appropriations
Appendix 17	Medium Term Financial Strategy
Appendix 18	Corporate Priorities 2018/19
Appendix 19	Equality Analyses supporting budget proposals