

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Corporate Management Team  
to  
**Council**  
on  
**22 February 2018**

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Director of Finance and Resources

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**Council Budget 2018/19**  
**Executive Councillor: Councillor John Lamb**  
***A Part 1 Public Agenda Item***

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## **1. Purpose of Report**

- 1.1 The purpose of this report is for Council to approve the setting of a revenue budget and Council Tax for 2018/19 and a Capital Programme for 2017/18 to 2021/22.
- 1.2 In addition, it deals with the Housing Revenue Account and related rent levels, Fees and Charges and Treasury Management including Prudential Indicators.
- 1.3 Comprehensive reports to the Cabinet on 18 January and 13 February 2018 set out the issues affecting the Council's budgetary position for 2018/19 including the provisional Local Government Finance Settlement with a verbal update at that latter meeting with the position on the final Settlement.
- 1.4 In accordance with the Council's Constitution, the Cabinet on 13 February 2018 agreed to recommend a revenue budget (including HRA and Fees and Charges), Council Tax, three year financial projections and indicative savings and investments for 2018/19, Capital Programme and Prudential indicators to Council for approval.
- 1.5 The formal Council Tax setting resolution is also presented in this report.
- 1.6 Council is now required to consider and agree these matters.

## **2. Recommendations**

**That the Council considers the information contained in this report and the related reports to Cabinet on 13 February 2018 to agree:**

### **2.1 A 2018/19 revenue budget and**

- 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;**
- the use of £2.5 million of the collection fund for the core budget;**
- to note the increase in the Council Tax level of 1.95% for the precepting authority the Essex Fire & Rescue Services;**
- to note the increase in the Council Tax level of 7.62% for the precepting authority the Essex Police;**
- to note the increase in the precept level of 1.96% for Leigh-on-Sea Town Council;**

### **2.2 The final levy position for 2018/19;**

### **2.3 A Capital Programme for 2017/18 to 2021/22 (Appendices 3 (i) and (ii));**

### **2.4 The recommendations from Cabinet 13 February 2018 for the HRA and associated rent levels, Fees and Charges, and Treasury Management including Prudential Indicators;**

### **2.5 The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea Borough Council (Appendix 4);**

### **2.6 The Council's four year financial plan and associated Medium Term Financial Strategy (Appendix 5);**

### **2.7 The direction of travel for 2019/20 and beyond (Section 8);**

### 3. Background

3.1 The various budgets and associated matters of the Council have been considered at the Cabinet meetings of 18 January 2018 and 13 February 2018 and at the various Scrutiny Committees from 29 January to 31 January 2018 and the Business Sector and Voluntary Sector consultation meeting on 18 January 2018, as outlined below:

- *The General Fund Revenue Budget 2018/19;*
- *Fees and Charges 2018/19;*
- *Housing Revenue Account Budget and Rent Levels 2018/19;*
- *Capital Programme 2017/18 to 2021/22;*
- *Treasury Management and Prudential Indicators 2018/19 (Treasury Management scrutinised at Audit Committee 17 January 2018 and not Scrutiny Committees).*

3.2 The Cabinet recommended to Council;

Firstly, the proposals on the Revenue Budget and Council Tax Level as set out at Appendices 1 & 2 and secondly a Capital Programme as set out at Appendix 3. Other recommendations surrounded the HRA Budget and rent levels, Fees and Charges and Treasury Management including Prudential Indicators. Details of all these items and relevant recommendations are all contained in the suite of Cabinet reports presented on 13 February 2018.

3.3 The Council must set its revenue budget and Council Tax by 11 March of the preceding year. If, for whatever reason, the Council cannot agree a budget and Council Tax on 22 February 2018, 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 the accompanying leaflet). Such a delay will increase costs significantly by circa £100k-£200k and will need to be built into the budget. It is also highly likely that this will also translate into a higher level of un-collectable debt and debt collection costs and will significantly impact on Council Tax performance indicators.

3.4 In setting its budget, the Council is required to approve a full Council Tax resolution including the Adult Social Care, Police, Fire and parish precepts, including any recommendations for special expenses. The Statutory budget determination to set the amount of Council Tax for Southend-on-Sea Borough Council for all valuation bands from A to H is shown in Appendix 4.

#### **4. Corporate Issues**

- 4.1 The Chief Financial 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 Local Government Act 2003.
- 4.2 The position on reserves is addressed within the S151 Officer Statement to Cabinet on 13 February 2018 (Appendix 1 of the General Fund Revenue Budget 2018/19 report.) In addition, further detail is contained in the Medium Term Financial Strategy Appendix 17 within the same report.
- 4.3 For 2018/19, the overall level of contingency (including redundancy and inflation) within the proposed budget is £5.716 million.
- 4.4 The position on Council Tax capping was amended by the introduction of the Localism Act in December 2011. The provisions in the Localism Act 2011 abolished Whitehall capping in England and instead provides local residents with a power to approve or veto excessive council tax rises. The new provisions require the Secretary of State to propose principles defining an excessive increase in council tax for any financial year. The main principle to be determined relates to the increase in Band D council tax (subject to certain adjustments) from one year to the next. A Council Tax referendum will only be required to be held in relation to an authority's council tax increase in 2018/19 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2018/19 the position is as follows;
- The Secretary of State has set the council tax principles for 2018/19 as part of the Local Government Finance settlement. These are that local authorities with responsibility for Adult Social Care will be required to seek the approval of their local electorate in a referendum if, compared with 2017/18, they set a council tax increase (including the adult social care precept) that equals or exceeds 6.0%.
- 4.5 In agreeing a proposed 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 the Adult Social Care precept, the Council is in line with the requirements from the Secretary of State and therefore no referendum is triggered.
- 4.6 Therefore, in my view as the Council's Chief Financial Officer, I confirm that the budget for 2018/19, as reported in the suite of Cabinet reports in January and February 2018 and issues addressed in this report, to be sufficiently robust but challenging for approval by the Council. I am also able to advise the Council that the level of General Fund Reserves is adequate and to recommend a Reserves Strategy which is achievable by 2018/19 in line with the factors set out in my S151 Officer Statement.

## **5. Council Tax and Collection Fund 2018/19**

- 5.1 The Council Tax Base for 2018/19 was approved by Cabinet on 18 January 2018 at 57,611.55 (equivalent Band D properties).
- 5.2 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.
- 5.3 The proposed budget assumes a Council Tax increase of 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 for this year. In addition, no referendum limit has been breached.
- 5.4 Council 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.
- 5.5 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. The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea Borough Council is shown in Appendix 4;
- 5.6 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. Where applicable it also includes Leigh-on-Sea Town Council precept.

### **Precepts**

- 5.7 Leigh-on-Sea Town Council has declared its precept for 2018/19 at £411,692 (2017/18 = £401,085). Based on their council tax base of 8,779.95, 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.
- 5.8 For Essex Police an increase in its Council Tax, as proposed by the Police and Crime Panel on 22 January 2018, has been approved by the Police, Fire & Crime Commissioner. This represents a Council Tax of £169.02 (2017/18 = £157.05) per Band D property, which equates to an increase on the respective 2017/18 level of 7.62%.
- 5.9 For Essex Fire & Rescue Services the approved precept represents a Council Tax of £70.38 per Band D property, an increase of 1.95% on the 2017/18 level of £69.03.

- 5.10 This budget also continues with the Adult Social Care Precept at a level of 6.5% (an increase of 1.5% over the previous year). The proposed level equates to an annual increase of £18.99 (from £59.30 to £78.29) equivalent to a weekly increase of 36p at the Band D Council Tax level.

### Levies

- 5.11 The Council is required to pay relevant levying bodies, who have all now confirmed their required levy for 2018/19 and the position for 2018/19 compared to 2017/18 is identified in the table below. The final approved levy also includes anticipated year-end adjustments for 2017/18 and 2018/19;

Levy Body	2017/18 Probable Actual	2018/19 Estimate	Percentage Increase
	£'000	£'000	%
Kent & Essex Inshore Fisheries & Conservation Authority	21.5	21.5	0.0
Flood Defence – Environment Agency	187.7	194.8	3.8
Coroners Court	370.8	415.2	12.0
<b>Total</b>	<b>580.0</b>	<b>631.5</b>	

The 2018/19 budget proposed at Cabinet on 13 February 2018 included a total sum for levies of £638,000, which includes the circa £6,500 payment to Leigh-on-Sea Town Council for the Local Council Tax Support Scheme. The final approved levies and year-end adjustments for 2018/19 total £631,500. Therefore, no amendment is required to the levies budget for 2018/19.

### Special Items (Sections 34 & 35 of the Local Government Finance Act 1992)

- 5.12 Parish and Town Councils are able to precept on the Authority for services provided in the Parish or Town Council area. The Local Government Finance Act 1992 requires these precepts to be deemed a special item. In the Council's area the only parished area is Leigh-on-Sea.
- 5.13 Otherwise the cost of this Council's services is spread uniformly over the Authority's area. However, in some parishes, the Town Council may provide services which in other parts of the Authority are provided by the Council. Under Section 35 (2) (d) of the 1992 Act, the cost of these services is regarded as special expenses unless the Council has resolved otherwise. Special expenses are deemed to be included as part of the special items for Council Tax setting purposes.
- 5.14 The costs of special expenses are deducted from the council's total expenditure when setting the basic Council Tax and are charged as an additional amount to the areas receiving the benefit of the specific services.

5.15 At its meeting on 13 February 2018, the Cabinet considered the special expenses to apply in 2018/19 and recommended that there were no special expenses in addition to the Leigh-on-Sea Town Council's precept.

5.16 The proposed Band D Council Tax excluding and including Leigh-on-Sea Town Council is set out at Appendix 1.

## **6. Capital Programme**

6.1 The Cabinet also considered proposals for the Capital Programme for 2017/18 to 2021/22 and referred the proposals set out at Appendix 3 (i) and (ii) to this report.

6.2 The Cabinet also agreed to refer the approval of the Capital Strategy and Prudential Indicators.

6.3 The full impact of the borrowing costs required to fund the proposed programme have been included in the Council's current financial planning for 2017/18 to 2021/22. The 2018/19 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2018/19. In summary, it is my view, as Chief Financial Officer, that the 2017/18 to 2021/22 Capital Programme is Prudent, Affordable and Sustainable.

6.4 To demonstrate compliance with these objectives a set of prudential indicators, as required by statute, is recommended for approval.

## **7. Medium Term Financial Strategy (MTFS)**

7.1 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 has been updated 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 recently refreshed corporate priorities.

7.2 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.

7.3 The updated and full MTFS for the period 2018/19 to 2021/22 is included within the General Fund Revenue Budget 2018/19 report to Cabinet 13 February 2018 at Appendix 17.

7.4 The MTFS shows a projected further budget gap for the Council of £16.9 million for the following three financial years. This is set out in detail in Appendix 5 and in summary as follows;

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

## **8. 2019/20 and Beyond**

- 8.1 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.
- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 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.
- 8.6 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.



- 8.7 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.
- 8.8 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.
- 8.9 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.
- 8.10 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.
- 8.11 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.
- 8.12 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.

## **9. Corporate Implications and Conclusion**

- 9.1 The corporate implications of the proposed Council Budget have been set out in the relevant reports to the Cabinet meetings of 18 January 2018 and 13 February 2018.
- 9.2 In reaching decisions on budget proposals and Council Tax, Members will need to bear in mind all the detailed advice provided by officers both in reports to the Cabinet and information supplied directly. Regard must be had for the impact of decisions both in the coming year and subsequent years.
- 9.3 Finally, Members should also note that in setting the Council budget and Council tax level that all the information, advice and recommendations contained in the full suite of reports on the draft budget presented to Cabinet on 18 January 2018 and the full suite of reports on the final budget presented to Cabinet on 13 February 2018 represent part of the decision making process and all that detailed report information needs to be fully considered and recognised alongside this Council report.

## **10. Background Papers**

- 10.1 All background papers are listed in the reports detailed at paragraph 3.1 in this report.
- 10.2 In addition, Background Papers include:
- (i) Minutes of the Cabinet meeting 18 January 2018;
  - (ii) Minutes of the Cabinet meeting 13 February 2018;
  - (iii) Minutes of the various Scrutiny Committees from 29 January to 31 January 2018 and feedback from the Business Sector and Voluntary Sector consultation meeting on 18 January 2018.

## **11. Appendices**

Appendix 1	Revenue Budget and Council Tax 2018/19
Appendix 2 (i)	General Fund Savings 2018/19
Appendix 2 (ii)	General Fund Investments 2018/19
Appendix 3 (i)	Capital Programme 2017/18 to 2021/22
Appendix 3 (ii)	Capital Programme new schemes and additions
Appendix 4	Council Tax Resolution 2018/19
Appendix 5	Medium Term Financial Plan 2018/19 to 2021/22