

Southend-on-Sea Borough Council

Report of Corporate Management Team
To
Cabinet
On
17 January 2019

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Agenda
Item No.

Draft General Fund Revenue Budget 2019/20
All Scrutiny Committees – Cabinet Member: Councillor John Lamb
Part 1 (Public Agenda Item)

1. Purpose of Report

1.1. To present for consideration a 2019/20 draft revenue budget.

2. Recommendations

That Cabinet;

- 2.1. Endorse the 2019/20 draft revenue budget and any required commencement of consultation, statutory or otherwise;**
- 2.2. Note that the 2019/20 draft revenue budget has been prepared on the basis of a Council Tax increase of 4.49%, being 2.99% for general use and 1.5% for Adult Social Care;**
- 2.3. Note that the 2019/20 draft revenue budget has been prepared using the provisional local government finance settlement and that the outcome from the final settlement will need to be factored into the final budget proposals for Budget Cabinet and Budget Council;**
- 2.4. Refer the 2019/20 draft revenue budget, as approved, for the views of all Scrutiny Committees, Business sector and Voluntary sector to inform Budget Cabinet, which will then recommend the Budget and Council Tax to Budget Council;**
- 2.5. Note the Schools budget position and that the recommendations for the Education Board on 22 January 2019, as set out in Appendices 11 and 11(i) are referred to People Scrutiny Committee and then to Budget Cabinet and Budget Council;**
- 2.6. Endorse the direction of travel for 2020/21 and beyond and noting the need for the organisation to move to a longer term and outcome based budgeting approach (Section 15).**

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 Budget Council on 21 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 investment programme and fees and charges at the same time as the revenue budget and a capital report elsewhere on this agenda deals with the capital investment aspects of the budget. For Fees & Charges they are dealt with in this report. It should be noted that the revenue impact of both reports have been factored into the 2019/20 draft 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 reviews can be reflected from 1 April of each year, and so a report on this can also be found elsewhere on this agenda.
- 3.4. The high level decision-making timetable is shown below:

Education Board	18 December 2018 & 22 January 2019 (virtual board)
Cabinet approves draft budget proposals for consideration by Scrutiny Committees, Business and Voluntary sectors	17 January 2019
Cabinet approval (delegated from Council) for the 2019/20 Council Tax base of 58,424.44 equivalent Band D properties	17 January 2019
Scrutiny and Consultation Scrutiny Committees:- - Place - People - Policy & Resources	28 January 2019 29 January 2019 30 January 2019
Business and Voluntary sector consultation	17 January 2019

Precept announcements Leigh-on-Sea Town Council Essex Police and Fire & Rescue Services	22 January 2019 Essex Police, Fire and Crime Panel 24 January 2019 and the Commissioner by 1 March 2019
Cabinet recommends the Revenue Budget, Council Tax, Capital Investment Programme and HRA to Council	12 February 2019
Council approves the revenue and capital budget, Council Tax and HRA	21 February 2019

- 3.5. This report presents the draft General Fund revenue budget for 2019/20 for reference to the Scrutiny Committees and as the basis for consultation with the business and voluntary sectors.
- 3.6. A fuller report including the updated five year Medium Term Financial Strategy and the statutory statement by the Chief Finance Officer on the robustness of the estimates and adequacy of reserves under s25 of the Local Government Act 2003, will be presented to the Budget Cabinet at its meeting on 12 February 2019 and to Budget Council at its meeting on 21 February 2019.

4. Government Funding – Grant and Finance Settlement

- 4.1 Government funding of its main revenue support 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 2019/20 was issued by the Ministry of Housing, Communities and Local Government (MHCLG) on 13 December 2018 and this represents the last year of the Government's current spending plans. There is a spending review due in 2019 that will inform future years but the timing is dependent upon the Brexit outcome.
- 4.2 The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013. The settlement provides authorities with a combination of provisional Revenue Support Grant (RSG) allocation and confirmation of Business Rates top up grant.
- 4.3 The Adult Social Care precept is confirmed to continue, subject to the increase in the precept not exceeding the maximum 6% increase allowed over the three years 2017/18 to 2019/20, (in addition to the 2% previously allowed in 2016/17), and that it can be applied in any of the three years as long as the precept did not exceed an additional 3% in 2017/18 and 2018/19 and an additional 2% in 2019/20.

4.4 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 2019/20 is £40.654 million. This compares to a SFA of £44.269 million in respect of 2018/19 (a year on year reduction of £3.615 million and equivalent to an 8.2% reduction). At the start of the last spending review period, SFA was £56.639 million. It has therefore fallen £12.985 million, equivalent to 24.2% over the four year period;
- (ii) The RSG element for 2019/20 within the provisional SFA is £5.925 million. This compares to a RSG of £10.318 million in respect of 2018/19 (a year on year reduction of £4.393 million and equivalent to a 42.6% reduction). At the start of the last spending review period, RSG was £21.338 million. It has therefore fallen £15.413 million, equivalent to 72.2% over the four year period;
- (iii) The settlement provides indicative figures only for 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 2019/20 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, subject to the cumulative increase in adult social care not exceeding 6% over the three year period 2017/18 to 2019/20. The Council Tax increases proposed by this report do not breach the referendum limit;
- (vii) A Government consultation has been announced that seeks views on the approach to measuring the relative needs and resources of local authorities, which will determine new baseline funding allocations for local authorities in England in 2020-21. The consultation closes 21 February 2019. The results of the review are due to be introduced in 2020/21 to coincide with the move to 75% Business Rates Retention in the same year;
- (viii) For 2019/20, 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 actual arrangements and allocations have yet to be announced but for planning purposes the Council's share of the BCF for 2019/20 is expected to be no less than £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 2019/20 is £6.744 million, an increase of £1.315 million from 2018/19;
- (x) In addition to the increase in Adult Social Care Precept and Better Care Fund resources, the Government have confirmed a one-off social care support grant for 2019/20 of £2,231,667, of which £824,000 must be spent on adult social care through the Better Care Fund regime, with the remaining £1,407,667 being available to address wider social care pressures, including Children’s;
- (xi) 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. The provisional small business non-domestic rates multiplier has been set at 49.1p (2018/19=48.0p) with the associated non-domestic multiplier has been set at 50.4p (2018/19=49.3p);
- (xii) The Government has also issued a further consultation paper on their intention of moving to 75% business rates retention for Councils for 2020/21. The stated aim is that this is done in a revenue neutral manner for the sector as a whole, although how this is to be done is still to be fully exemplified;
- (xiii) The Public Health service grant allocation for 2019/20 has been notified as £9.212 million (a reduction of £0.250 million on 2018/19, equivalent to a 2.64% reduction);
- (xiv) The consultation on the provisional finance settlement ended on 10 January 2019. The actual timing of the final announcement has yet to be announced, but would normally follow shortly after the consultation period has ended. 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. Government Funding – Dedicated Schools Grant (DSG)

- 5.1 The Dedicated Schools Grant (DSG) was introduced in 2006/07, as a 100% specific grant to fund the Schools Budget. It excludes post-16 funding (with the exception of Special Educational Needs) and other specific education grants such as pupil premium.

5.2 2019/20 is the second year, of the Government's National Funding Formula (NFF) as the methodology for distributing national resources down to each education authority. That methodology saw the introduction of a four block model.

- Schools Block
- High Needs Block
- Early Years Block
- Central School Services Block

5.3 The 2019/20 DSG allocation is released in late December, the Schools block and Central block is set and based on information incorporating through the previous October schools census. The Early Years allocation is an estimate, as this is ultimately based on actual participation rather than a fixed budgetary amount, funding is therefore adjusted using both the January 2019 and January 2020 early years census. The High Needs block is also provisional (although not expected to change materially), and will be updated in July 2019, once the import and export adjustment is processed which relates to place funding adjustments for home authority pupils placed in another local authority's area.

5.4 The current estimated total DSG for 2019/20 is £150.2 million (latest allocation for 2018/19 = stands at £147.7 million). In practice the final DSG awarded to the local authority will exclude funding for Academies, and High Need place funding for both colleges and further education providers, and free special schools, as this is awarded directly to them from the Education and Skills Funding Agency. Therefore the final estimated allocation expected to be awarded to the local authority is £46.9 million, after considering these estimated deductions of £103.3 million.

6. **Dedicated School Grant Budget**

6.1 The DSG Budget consists of delegated funding to schools and early years providers, the funding of some central services, and the funding related to individual children such as for children with special educational needs (SEN) also known as 'High Needs'.

6.2 The Schools Budget is funded from the DSG. In addition, funding for post 16 students in schools is received from the Education Funding Agency.

6.3 The Department for Education (DfE) announced on 17 December 2018 the funding details for 2019/20 which are summarised below:

Block	Amount (£'s)	Detail
Schools Block	119,089,568	Allowing for 15,075 primary pupils at £3,958.23 per pupil and 10,899 secondary pupils at £5,254.47 per pupil, plus growth, premises and mobility funding
Early Years Block (Provisional)	9,955,046	Allowing for 2,739 PTE* 3 – 4 year old children @ £4.40 per hour universal entitlement, 660 PTE 3 – 4 year old children @ £4.40 per hour extended entitlement and 422 PTE 2 year old children @ £5.24 per hour PTE* assumes all children access the full 15hrs per week support over 38 weeks in the year
High Needs Block (Provisional)	19,415,963	Includes special school and further education place funding, educational top up funding for ages 2 up to 25 (in some circumstances). Alternative provision funding, hospital education funding, and support for wider SEND services.
Central Schools Services Block	1,747,728	Includes Education Support Grant and historic funding for Council support to education through schools admissions, school improvement, children's partnership and early help
Total DSG 2019/20	150,208,305	

- 6.4 The Department for Education has included a minimum funding increase of 0.5% in pupil led (i.e. ignoring premises related expenditure) funding within the settlement, together with a minimum per pupil amount of funding of £3,500 / £4,800 for primary / secondary schools respectively.
- 6.6 Although the total quantum of DSG is now calculated by a national formula, that indicates the amount of funding the DSG should receive, it currently remains a local decision as to how each block of funding is allocated. Education Board (covering School Forum matters) met on 18 December 2018, and confirmed that it wishes, for mainstream school allocations to continue with the implementation of the NFF locally, and agreed to set using the NFF rates now in full.
- 6.7 Decisions on the allocation of the DSG are effectively made by the Education Board (covering School Forum matters), although their recommendations still need to be confirmed by the Council. The Education Board met on 18 December 2018 and approved the principles upon which DSG resources would be allocated, and are meeting again on 22 January 2019 (virtual meeting) to consider the DSG Budget and determine required allocation to the individual mainstream schools

following the receipt of the DfE allocations. Subject to Cabinet approval, budget allocations to schools will be determined by the recommendations from the Board.

- 6.7 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 2018/19. Based on estimates the total Pupil Premium will provide is an additional £7.9 million for schools in Southend-on-Sea (both Maintained and Academy schools).
- 6.8 As a percentage of their total budget, the overall cash funding for schools will see an increase of circa 1.4% due to pupil number growth and the NFF minimum funding guarantees. However the change in total budget for individual schools will vary depending as this is also driven by pupil numbers.
- 6.9 Following the recommendation of the Schools budget to the Education Board on 22 January 2019 (virtual meeting), Appendices 11 and 11(i) show the detailed breakdown of the proposed 2019/20 Schools budget. The schools position for 2019/20 following the Education Board meeting will then be submitted to the People Scrutiny Committee on 29 January 2019, through to Budget Cabinet on 12 February 2019, and then to the Budget Council on 21 February 2019 for final agreement of the Schools Budget, based on the recommendations from the Education Board and the comments from the Scrutiny Committee. Following this process, final budgets will be issued to schools.

7. Medium Term Financial Strategy (MTFS)

- 7.1 The Medium Term Financial Strategy that was approved in February 2018 was for a four year period up to the financial year 2021/22. It is now in need of updating as a result of the latest Local Government Finance Settlement, changes to the projections in the current financial planning figures and alignment with the Councils 2050 ambition, outcomes and 5 year roadmap.
- 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 MTFS for the next five year period 2019/20 to 2023/24 will, therefore, be presented as part of the budget proposals for Budget Cabinet on 12 February 2019 and Budget Council on 21 February 2019.

8. 2019/20 Budget Proposals

- 8.1 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.

- 8.2 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 produce a budget that will help to support the delivery of the Council's 23 outcomes. As the Local Government funding reforms materialise over the next few years we will need to become a financially self-sufficient organisation, as the key sources of income we will have to rely upon to fund Council services will be Council Tax, Business Rates and any other forms of income we can generate.
- 8.3 Therefore it will be essential to move to a longer term budget process that is outcome based rather than dealing with one financial year in isolation. In addition, we will need to develop further our commercial acumen to assist with the continuance and improvement in the services we deliver. Moving forwards this effectively will mean the prioritisation and reallocation of both our capital and revenue resources (not just financial budgets but our people and physical assets) to our 23 outcomes.
- 8.4 Using cabinet member input a detailed draft budget has been prepared by senior officers for the Cabinet to put forward that addresses the need to set a balanced and robust budget for 2019/20. The various budget consultations have also assisted in informing the compilation of the Council's budget.
- 8.5 Traditionally there has been a separate report on the detailed list of fees and charges for Council services. Cabinet at its meeting of 18 September 2018 approved the introduction of a fees and charges policy and this policy was to cover all fees and charges save parking charges. The Council approved policy enables Chief Officers to set fees and charges annually where the expected yield for a service or category is in line with the budget guideline as set out in the Medium Term Financial Strategy. For 2019/20 the guideline yield was set at 2.5% and therefore fees and charges for 2019/20 have been set by Chief Officers within this guideline. In respect of parking charges it is proposed that there are no changes to the current 2018/19 levels and therefore parking charges will remain frozen in 2019/20 at their current rate.
- 8.6 The draft 2019/20 General Fund revenue base budget requirement before savings and on-going investments is £123.150 million (£326.681 million gross expenditure, offset by £203.531 million gross income derived from service related grants, fees and charges etc). Available funding from estimated Business Rates, previous years council tax surpluses and Revenue Support Grant is £44.892 million, leaving £78.258 to be funded from a combination of Council Tax and Adult Social Care (ASC) precept. However based on the proposed increases in Council Tax and Adult Social Care precept within this report, which are consistent with the Government's referendum principals, the maximum that can be generated from these resources is £80.755 million, meaning there is an initial budget surplus of £2.497 million.

	£M	£M
Net Base Budget		123.150
Less Available Funding		
Revenue Support Grant	(5.925)	
Business Rates	(24.130)	
Business Rates Top-up Grant	(12.337)	
Council Tax Surplus	(2.500)	(44.892)
To be funded from Council Tax & ASC Precept		78.258
Council Tax & ASC Precept Income		(80.755)
Initial Budget Surplus		(2.497)

This unusual situation is being created by the significant additional resources the Government is identifying for adult and children's social care in 2019/20, for which there are full reinvestment proposals below.

- 8.7 A high level budget summary of the position is set out at Appendix 1. The draft 2019/20 revenue budgets for each Portfolio are then set out in Appendices 2 - 8 and show the original budget and probable outturn for 2018/19 and the 2019/20 base budget before reductions and on-going investments.
- 8.8 The budget identifies a number of on-going investments being faced by the Council, which need funding and these total £6.610 million and are set out below and in full in Appendix 9. Of this total £5.7 million of on-going investment is proposed for Children's and Adult Services.

Area of Investment	£'s
Community Safety <i>Addressing in particular permanent staffing for the Community Safety Hub</i>	385,000
Health & Well Being <i>Reflecting loss of housing benefit grant and outdoor sports income</i>	280,000
Children & Lifelong Learning <i>Particularly addressing cost pressures in children's social care</i>	2,338,000
Adult Services <i>Particularly addressing demographic pressures and the on-going impact of the national living wage, together with investment in transformation work</i>	3,362,000
Staffing Capacity <i>Addressing in particular the need to invest in staffing to fully exploit the potential of "MySouthend"</i>	245,000
Total Proposed Investments	6,610,000

- 8.9 Along with all other Local Authorities the Council is facing continued 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 £3.56 billion by 2024/25 based on pressures caused by demography, inflation and the National Living Wage. On a similar basis, the LGA estimate that Children's Social Care requires £1.1 billion in the next year alone just to keep services running at current levels.
- 8.10 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.
- 8.11 Therefore, the budget on-going investment proposals recognise these known cost pressures the Council is currently facing with circa £5 million extra annually proposed for Adults and Children's. The Adult Social Care and Children cost pressures identified for the 2019/20 proposed draft budget reflect the realignment of the respective base budgets to ensure there is adequate budget to manage the required service demands and delivery. The investment in adult social care will fully utilise the increase in the Adult Social Care precept, and the adults ring fenced proportion of the new Social Care grant, alongside the increased better care fund resources. Similarly the investment in children's social care will fully utilise the non-ring fenced element of the Social Care grant.
- 8.12 Additionally, given the volatile national picture outlined above, it is recommended that within the earmarked reserves that specific reserves continue to be identified to act as a precaution to any further in year demands on Adult Social Care and Children spending. The identification of these reserves will form part of the S.151 Officers statement on the adequacy of balances and the robustness of the budget in the final budget to be presented to Cabinet on 12 February 2019.
- 8.13 The inclusion of these new investments requirements creates a budget gap of £4.113 million (Initial budget surplus of £2.497m less investments of £6.610m).
- 8.14 The resultant budget gap is then closed by various savings proposals and house-keeping efficiencies, set out below and more fully in Appendix 10. The house keeping efficiencies have arisen from an internal process of tidying up budgets and identifying small miscellaneous savings from reviewing previous year spend in all areas across the Council.

Area of Saving	£'s
Income – Commercial Activities <i>Arising from commercial acquisition of investment assets and exploitation of others</i>	455,000
Income – New / Additional <i>Arising from the growth in asset rentals and investment income</i>	350,000
Transformation <i>Arising from locality working and community engagement, and the emphasis on preventative work</i>	2,025,000
Staffing Restructures	635,000
Procurement Efficiencies	280,000
Budget Reductions	3,745,000
House Keeping Efficiencies	368,000
Total Proposed Savings	4,113,000

- 8.15 By agreeing the proposed savings of £4.113 million (excluding Public Health net savings of £0.250 million, as these savings are ring fenced against the Public Health grant allocation reduction), this will result in a draft 2019/20 revenue budget of £125.647 million (2018/19 £123.036 million), balanced by the available funding and council tax income.

	2018/19	2019/20
	£M	£M
Net Base Budget		123.150
On-going Investment		6.610
Less;		
Proposed Savings		(3.745)
House Keeping Efficiencies		(0.368)
Revenue Budget	123.036	125.647
Less Available Funding		
Revenue Support Grant	(10.318)	(5.925)
Business Rates	(21.924)	(24.130)
Business Rates Top-up Grant	(12.085)	(12.337)
Council Tax Surplus	(2.500)	(2.500)
To be funded from Council Tax & ASC Precept	76.209	80.755
General Council Tax	(71.699)	(75.022)
ASC Precept Income	(4.510)	(5.733)
Balanced Budget	0	0

8.16 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;

Item	2019/20	2020/21	2021/22	TOTAL	Proposed Reserve Use
	£'000	£'000	£'000	£'000	
Local Plan Resource required to support the development of the Southend new Local Plan and contribution to the South Essex Joint Strategic Plan (JSP)	585	410	130	1,125	New Homes Bonus
SMART technologies A dedicated staff resource to drive SMART technology across the economic health and wellbeing and environmental agendas associated with progressing the 2050 outcomes	60	60	0	120	Business Transformation
Corporate Strategy staffing A new Service Redesign team, as part of the overall team restructure, that will work with operational teams and end users to redesign Council services in order to improve outcomes and experiences for customers, to maximise investment and to eradicate duplication across the organisation	185	185	185	555	Business Transformation
Summer Planning To enable recruitment of appropriate staffing and related resourcing for the Town's busy Summer period	75	75	0	150	Business Transformation

Workforce Development team Additional temporary staffing to support the corporate learning and development offer while the services are reconfigured and a new offer is developed to support the organisational priorities, including succession planning and skills development	100	50	0	150	Business Transformation
School Improvement To continue school improvement support including support for pupils to attain Grammar School entrance	(1)	200	200	400	School Improvement
Economic Development To enable continued research and staff support for the promotion of the town	(1)	100	100	200	Business Transformation
Housing Implementation Initial resource to progress the implementation of the Housing, Homelessness and Rough Sleeping Strategy ⁽²⁾	150	150	150	450	New Homes Bonus
Transforming Together Pump priming investment to implement and embed a range of new approaches, tools and techniques that will enable the Council to transform the way it works	100	100	0	200	Business Transformation
TOTAL	1,255	1,330	765	3,350	
Notes (1) In 2018/19 budget round same annual amount set aside as for 2019/20 (2) Additional pump priming resource will be required for the implementation of the Housing, Homelessness and Rough Sleeping Strategy (sum to be identified as part future Cabinet reports)					

8.17 A total of £3.350 million of earmarked reserves are being used to fund the above items of one-off project spending over a three year period of 2019/20 to 2021/22.

8.18 It is recommended that the draft budget is referred to all Scrutiny Committees and their comments considered by the Budget Cabinet on 12 February 2019 to enable the Budget Cabinet to make its recommendation on the 2019/20 budget to full Budget Council on 21 February 2019.

9. Council Tax Base 2019/20 and Estimated Collection Fund Surplus/Deficit 2018/19

9.1 The Council has to formally determine the Council Tax Base (the number of Band D equivalent properties) for 2019/20 and any estimated Collection Fund balance at the end of 2018/19. The Council Tax Base for 2019/20 is as reported in a separate report on this agenda for approval as delegated by Council at 58,424.44 (equivalent Band D properties) including Leigh-on-Sea Town Council.

9.2 The tax base for Leigh-on-Sea Town Council has been calculated for 2019/20 as 8,839.09 Band D equivalents.

9.3 The Council Tax base for Southend-on-Sea has increased as a result of a combination of new properties on the list coupled with the on-going impact of the agreed discounts and exemptions, and also the proposed increase in the Empty Homes Premium to 100% from April 2019.

9.4 The estimated balance on the Collection Fund in respect of Council Tax at the end of 2018/19 will be reported formally to the Budget Cabinet on 12 February 2019. The draft budget and Council Tax implications are currently based on the use of £2.5 million of the projected surplus attributable to the Council.

10 Council Tax (including Precepts)

10.1 The draft 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 again not offered one this year.

10.2 The proposed Council Tax increase for general use of 2.99% will mean a Band D level of £1,284.09 per annum on the Southend-on-Sea element of the Council Tax (2018/19 the Band D level is £1,244.53). This equates to an annual increase of £39.56 and a weekly increase of 75p.

10.3 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 £13.24 per annum for a Band D property. This equates to an amount of circa £0.770 million in the revenue budget for each 1% change.

10.4 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 Authority and Essex Police Authority. Where applicable it also includes the Leigh-on-Sea Town Council precept.

- 10.5 At this stage the precepts from the major precepting authorities (Fire and Police) are not yet finalised. Also, the Leigh-on-Sea Town Council precept is not yet finalised.
- 10.6 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 2019 (after consideration by the Essex Police, Fire and Crime Panel on 24 January 2019). No indication has been given of either of the relevant precept levels for 2019/20.
- 10.7 Leigh-on-Sea Town Council is due to set its precept at its Council meeting on 22 January 2019. No indication has been given of the relevant precept level for 2019/20.
- 10.8 The precepts will form part of the formal Council Tax setting at Budget Council on 21 February 2019. As part of the draft budget, estimations have been made of the expected precept levels pending formal approval by the precepting authorities. Any variances from that contained in the draft budget are expected to be minimal and will be contained within the overall budget proposals that will be presented to Budget Council.
- 10.9 In addition, the draft budget also assumes the continuation of the Adult Social Care precept at a level of 8.0% 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 £1.223 million (from £78.29 to £98.13) equivalent to a weekly increase of 37p.

11 Staffing implications of budget proposals

- 11.1 The reduction and investment proposals outlined in this report will show a net growth of 35.6 permanent full time equivalent (fte) posts across the Council. Within the budget reduction proposals currently 3 out of 8 posts have been identified as voluntary redundancies.
- 11.2 Formal redundancy consultation with the recognised Trades Unions has commenced where appropriate and all staff have been fully briefed on the implications of these proposals.
- 11.3 In addition, within the People Department there are two transformation projects (C1 and C2), which have 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. There will be other services across the Council that will be redesigned throughout 2019/20 as the organisation moves to focussing on outcomes. Where this redesign impacts on staff, the appropriate consultation will take place.
- 11.4 Any staffing reductions will be managed in accordance with the Councils policies on the Managing Organisational Change and Redundancy.

- 11.5 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.
- 11.6 Volunteers for redundancy will be considered in order to minimise the number of compulsory redundancies.
- 11.7 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.

12 **Southend 2050**

- 12.1 During spring 2018 the Council embarked on a major engagement exercise with residents and key local stakeholders to develop a shared and jointly owned ambition for Southend-on-Sea in 2050. Its purpose was to shape a long term vision for the borough whilst providing a focus on shorter term outcomes deliverable by the Council, its partners and local communities. The resulting ambition aims to articulate not only the visible changes to our environment but also highlight the more fundamental effects on people lives – essentially capturing how it will feel to live, work, visit or do business here in the future.
- 12.2 The engagement programme was well-publicised, extensive and varied so that the broadest possible range of stakeholders have had the opportunity to contribute. A variety of different methods have been used to conduct open and ambitious conversations in locations right across the borough. These included facilitated workshops with business leaders, deliberative sessions with targeted resident representatives, meetings with local interest and community groups, public events and venues, and in-depth 1:1 interviews with citizens.
- 12.3 People also enthusiastically shared their thoughts on-line with literally thousands of comments being generated via the Southend 2050 survey as well as through social media, a virtual 'Stickyworld' online forum and the Southend 2050 website. Young people and schools have responded particularly positively through a number of imaginative competitions and events, including a lively future-themed Youth Council float at Southend Carnival.
- 12.4 In addition, a great deal of valuable quantitative feedback has been generated from more traditional consultation methods, such as the large scale borough-wide 2018 Residents Perception Survey. Councillors and Council staff have also actively participated throughout the process.
- 12.5 The process for a new borough vision has seen the introduction of a revised approach to the Council's business planning framework. The 2050 Road Map, incorporating the Ambition, Themes and Outcomes, is a high level document, replacing the Corporate Plan. It will be supported by 5 Strategic Delivery Plans (one per theme). The 5 themes are:

- Pride & Joy – By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer;
- Safe & Well – By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives;
- Active & Involved – by 2050 we have a thriving, active and involved community that feel invested in our city;
- Opportunity & Prosperity – By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people;
- Connected & Smart – By 2050 people can easily get in, out and around our borough and we have world class digital infrastructure.

Each of the five themes has 4-5 focussed outcomes for the next five years (23 outcomes in total).

- 12.6 Underpinning the high level plans are associated outcome delivery plans. While setting the Ambition for the coming decades to 2050, the Road Map and associated documentation should not be seen as set in stone. They will need to respond to inevitably changing circumstances, locally, nationally and internationally, and future documentation will reflect this. The Roadmap will shape the Council's Medium Term Financial Strategy, ensuring resources are aligned with the Council's agreed priorities.
- 12.7 Appendix 12 sets out the framework for Southend 2050.

13 Budget Consultation

- 13.1 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.
- 13.2 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 2019/20. Such consultations with service users and wider stakeholders have included those on: carers support; advocacy service review; air quality action plan; low emissions strategy; Essex HMO amenity service, gambling licensing policy, 0-5 years health visiting service; Leigh Port; integrated sexual health services; Southend teenage pregnancy service; and healthy lifestyle services.
- 13.3 Alongside the targeted consultations, and as part of the Southend 2050 engagement programme, a residents' perception survey was undertaken in the summer of 2018. This included insight into perceptions of council services and satisfaction with the council.
- 13.4 The overall results and comments from the consultations have continued to help inform the preparation of the 2019/20 revenue budget.

14 Equality Assessments (EA) – Making fair financial decisions

- 14.1 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.
- 14.2 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.
- 14.3 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.
- 14.4 An overarching EA is attached at Appendix 13.

15 2020/21 and Beyond

- 15.1 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 29 October 2018 with further restriction placed on the Government's public spending plans for Local Government. The tightening and reduction of Government funding contributions to local government funding along with the Government's current and future funding reforms, means that the current financial challenges for 2020/21 and beyond will continue. This needs to be seen as part of a continued period of financial entrenchment that Local Government has already encountered. 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 to work towards a position of financial self-sustainability.
- 15.2 This report predominantly addresses, as we are required to do, a detailed budget for 2019/20 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 start addressing the Councils Ambition 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.
- 15.3 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.

- 15.4 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. Since the beginning of the national fiscal situation the Council has striven to sustain its full range of services but this will need to be challenged as we move forward and work towards delivering against the Council's agreed 23 outcomes.
- 15.5 The Council may need to increase focus on 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 need to 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 work alongside the community, its residents and businesses, to help support the many factors affecting their lives as is possible.
- 15.6 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.
- 15.7 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.
- 15.8 As the Government funding reforms are implemented we will soon be in a position where our funding to maintain/improve our council services will come from three main areas;
- Business Rates
 - Council Tax
 - Other forms of income we can generate e.g. Fees & Charges, commercial activity, traded services, etc

Therefore, this will mean an era of financial self-sustainability for Local Authority's and that longer term and focussed outcome based budgeting will be the key. This essentially will mean the prioritisation and reallocation to our outcomes of all our resources both Capital and Revenue alongside our people and our physical assets.

- 15.9 The Council will therefore seek to ensure that the Council Tax and Business rates bases are improved and income collection levels are at least maintained. In addition, the Council will explore innovative income generation opportunities that will assist with increasing the Council's revenue sources to assist with meeting the need to be financially self-sustainable and to support the delivery of our outcomes. As part of this there is the intention to look greater at commercial opportunities for services of the Council.

- 15.10 Given the financial challenge we have and will 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.
- 15.11 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 2018, that further savings in the order of £18 million will be required from the Council's circa £230 million annual gross budget (after excluding Schools, HRA and Housing Benefits) for the four years 2020/21 to 2023/24.

16 Corporate Implications

16.1 Contribution to the Southend 2050 Road Map

The budget strategy is an integral part of the Council's Corporate Service and Resources Planning Framework. The delivery of a revenue budget in line with the recommendations in this report will contribute to the delivery of the Southend 2050 ambition and achievement of the desired outcomes and five year roadmap.

16.2 Financial Implications

As set out in the body of the report.

16.3 Legal Implications

None at this stage.

16.4 People Implications

The draft budget will have an impact on staffing levels and the implications are set out in section 11 of this report.

16.5 Property Implications

None

16.6 Consultation

Consultation has taken place with the Chief Executive, Deputy Chief Executives and their Directors and the Strategic 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 is in the planned draft budget from the Leader, Deputy Leader and Strategic Director (Finance & Resources).

Staff have been kept abreast of progress and opportunities for contributions through personal briefings by the Chief Executive and Strategic Director (Finance & Resources) and through media briefings.

16.7 Equalities and Diversity Implications

Assessments have been carried out for proposed savings in the 2019/20 draft revenue budget and an overarching EIA is attached as an Appendix to this report.

16.8 Risk Assessment

The budget proposals will be subject to the Deputy Chief Executives, Strategic Directors and Directors review of risk and robustness. This will inform the Chief Finance Officer's Section 25 statement on the robustness of estimates and adequacy of reserves to be reported to the Budget Cabinet on 12 February 2019 and Budget Council on 21 February 2019.

16.9 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.

16.10 Community Safety Implications

Assessments have been carried out for all revenue proposals.

16.11 Environmental Impact

Assessments have been carried out for all revenue proposals.

17 Background Papers

17.1 The provisional finance settlement 2019/20, DCLG

17.2 Budget working papers are held in the Finance & Resources' Accountancy section.

17.3 Equality Impact Assessments

17.4 Southend 2050 – draft Ambition, Themes & Outcomes and Five Year Road Map – 6 November 2018 Southend 2050 Ambition / Five Year Roadmap, Council 13 December 2018 Southend 2050 – Strategic Delivery Plans, Cabinet 17 January 2019

18 Appendices

Appendix 1	Summary of Draft 2019/20 General Fund Revenue Budget
Appendix 2	2019/20 Draft budget - Leader
Appendix 3	2019/20 Draft budget – Growth
Appendix 4	2019/20 Draft budget – Adults & Housing
Appendix 5	2019/20 Draft budget – Children & Learning
Appendix 6	2019/20 Draft budget – Healthy Communities & Wellbeing
Appendix 7	2019/20 Draft budget – Infrastructure
Appendix 8	2018/19 Draft budget – Public Protection
Appendix 9	Description of Proposed Budget Investment
Appendix 10	Description of Proposed Budget Reductions
Appendix 11	Schools Budget
Appendix 11(i)	Schools Budget
Appendix 12	Southend 2050 – Ambition, Themes and Outcomes
Appendix 13	Equality Analysis supporting budget proposals