

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Management Team
to
Council
on
25 February 2016

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Council Budget 2016/17
Executive Councillor: Councillor Ron Woodley
A Part 1 Public Agenda Item

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 2016/17 and a Capital Programme for 2015/16 to 2019/20.
- 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 19 January and 11 February 2016 set out the issues affecting the Council's budgetary position for 2016/17 including the provisional Local Government Finance Settlement with a verbal update at that latter meeting with regard to the final Settlement.
- 1.4 In accordance with the Council's Constitution, the Cabinet on 11 February 2016 agreed to recommend a revenue budget (including HRA and Fees and Charges), Council Tax, three year financial projections and indicative savings and pressures for 2016/17, 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 11 February 2016 to agree:

2.1 A 2016/17 revenue budget and

- An increase in the Southend-on-Sea element of the Council Tax of 1.99%;**
- A new Adult Social Care Precept of 2.0% meaning an overall 3.99% Council Tax increase**
- to note the increase in the Council Tax level of 1.90% for the precepting authority the Essex Fire Authority;**
- to note the increase in the Council Tax level of 3.36% for the precepting authority the Essex Police Authority;**
- to note the increase in the precept level of 5.67% for Leigh-on-Sea Town Council;**

2.2 The final levy position for 2016/17;

2.3 A Capital Programme for 2015/16 to 2019/20 (Appendices 3 (i) and (ii));

2.4 The recommendations from Cabinet 11 February 2016 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 2017/18 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 19 January 2016 and 11 February 2016 and at the various Scrutiny Committees from 25 January 2016 to 28 January 2016 and the Business Sector and Voluntary Sector consultation meetings on 19 January 2016, as outlined below:

- *The General Fund Revenue Budget 2016/17;*
- *Fees and Charges 2016/17;*
- *Housing Revenue Account Budget 2016/17 and Rent Levels;*
- *Capital Programme 2015/16 to 2019/20;*
- *Treasury Management and Prudential Indicators 2016/17 (Treasury Management scrutinised at Audit Committee 20 January 2016 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 11 February 2016.

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 25 February 2016, 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 statement to Cabinet on 11 February 2016 (Appendix 1 of the General Fund Revenue Budget 2016/17 report.) In addition, further detail is contained in the Medium Term Financial Strategy Appendix 16 within the same report.
- 4.3 For 2016/17, the overall level of contingency (including redundancy and inflation) within the proposed budget is £5.816 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 2016/17 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2016/17 the position is as follows;
- The Secretary of State has set the council tax principles for 2016/17 as part of the Final 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 2015/16, they set a council tax increase (including the new adult social care precept) that equals or exceeds 4.0%.
- 4.5 In agreeing a proposed increase of 1.99% in the Southend-on-Sea element of the Council Tax and a 2% 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 2016/17, as reported in the suite of Cabinet reports 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 2016/17 in line with the factors set out in my S151 Officer Statement.

5. Council Tax and Collection Fund 2016/17

- 5.1 The Council Tax Base for 2016/17 was approved by Cabinet on 19 January 2016 at 55,701.27 (equivalent Band D properties).
- 5.2 The estimated balance on the Collection Fund at the end of 2015/16 shows a projected surplus of £1,000,000 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 1.99% 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.
- 5.4 The Cabinet may wish to bear in mind that a 1% change in Southend-on-Sea Borough Council's element of the Council Tax is £11.60 per annum for a Band D property. This equates to an amount of circa £0.65 million in the revenue budget for each 1% change.
- 5.5 The proposed Council Tax increase of 1.99% will mean a Band D level of £1,182.64 per annum on the Southend-on-Sea element of the Council Tax (2015/16 the Band D level is £1,159.56). This equates to an annual increase of £23.08 and a weekly increase of 44p. 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, and the precepts for Essex Fire Authority, Essex Police & Crime Commission, Adult Social Care and, where applicable, Leigh-on-Sea Town Council.

Precepts

- 5.7 Leigh-on-Sea Town Council has declared its precept for 2016/17 at £391,550 (2015/16 = £361,694). Based on their council tax base of 8,645.94, the Town Council element of the total Council Tax bill will increase from £42.84 to £45.27 at Band D, equivalent to an increase of 5.67% from 2015/16. This only applies to the area covered by the Town Council.
- 5.8 For Essex Police Authority an increase in its Council Tax, as proposed by the Police and Crime Panel on 29 January 2016, has been approved by the Police & Crime Commissioner. This represents a Council Tax of £152.10 (2015/16 = £147.15) per Band D property, which equates to an increase on the respective 2015/16 level of 3.36%.
- 5.9 For Essex Fire Authority the approved precept represents a Council Tax of £67.68 per Band D property, an increase of 1.90% on the 2014/15 level of £66.42.

- 5.10 This budget also introduces a new Adult Social Care Precept at a level of 2%. The proposed level of 2% would raise £1.291 million and equates to an annual sum of £23.18 and a weekly sum of 45p 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 2016/17 and the position for 2016/17 compared to 2015/16 is identified in the table below. The final approved levy also includes anticipated year-end adjustments for 2015/16;

Levy Body	2015/16 Probable Actual	2016/17 Estimate	Percentage Increase
	£'000	£'000	%
Kent & Essex Inshore Fisheries & Conservation Authority	21.5	21.5	0.0
Flood Defence – Environment Agency	169.3	178.0	5.1
Coroners Court	338.0	371.5	9.9
Total	528.8	571.0	

The 2016/17 budget proposed at Cabinet on 11 February 2016 included a total sum for levies of £585,000, which includes the £14,000 payment to Leigh-on-Sea Town Council for the Local Council Tax Support Scheme. The final approved levies and year-end adjustments for 2016/17 total £571,000. Therefore, no amendment is required to the levies budget for 2016/17.

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 11 February 2016, the Cabinet considered the special expenses to apply in 2016/176 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 2015/16 to 2019/20 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 2015/16 to 2019/20. The 2016/17 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2016/17. In summary, it is my view, as Chief Financial Officer, that the 2015/16 to 2019/20 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 2015 was for a four year period up to the financial year 2018/19. It was 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 2016/17 to 2019/20 is included within the General Fund Revenue Budget 2016/17 report to Cabinet 11 February 2016 at Appendix 16.

7.4 The MTFS shows a projected further budget gap for the Council of £28.1 million for the following three financial years. This is set out in detail in Appendix 5 and in summary as follows;

2017/18	£12.4 million
2018/19	£8.4 million
2019/20	£7.3 million
£28.1 million	

8. 2017/18 and Beyond

- 8.1 In addressing the national economic situation and following the Emergency Budget in July 2015 the Government has emphasised the need to look further at a four year programme of public sector spending restraint and reconfiguration. This was reinforced in the Chancellor's annual autumn speech/Spending Review in December 2015 with further restriction placed on the Government's public spending plans up to 2020. The tightening and reduction of Government funding contributions to local government funding and the new Government's changes from April 2013 for the funding of Local Government, means that the current financial challenges for 2017/18 and beyond will continue. This needs to be seen as part of an extended period of financial retrenchment similar at least to the previous four years 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.
- 8.2 This report predominantly addresses, as we are required to do, a detailed budget for 2016/17 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.
- 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 current national financial crisis the Council has striven to sustain its full range of services but it is increasingly likely that this approach will be unviable.
- 8.6 It is proposed that 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 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.
- 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 significant savings that will be required over this period.
- 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 Spending Review in late 2015, that further savings in the order of £28 million will be required from the Council's circa £123m annual net budget for the three years 2017/18 to 2019/20.
- 8.12 It is clear that the budget savings presented for 2016/17 cannot be 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 19 January 2016 and 11 February 2016.

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.

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 19 January 2016;
- (ii) Minutes of the Cabinet meeting 11 February 2016;
- (iii) Minutes of the various Scrutiny Committees from 25 January to 28 January 2016 and feedback from the Business Sector and Voluntary Sector consultation meetings on 19 January 2016.

11. Appendices

Appendix 1	Revenue Budget and Council Tax 2016/17
Appendix 2 (i)	General Fund Savings 2016/17
Appendix 2 (ii)	General Fund Pressures 2016/17
Appendix 3 (i)	Capital Programme 2015/16 to 2019/20
Appendix 3 (ii)	Capital Programme new schemes and additions
Appendix 4	Council Tax Resolution 2016/17
Appendix 5	Medium Term Financial Plan 2016/17 to 2019/20