

Southend-on-Sea Borough Council

Report of Executive Director (Finance and Resources)

To

Council

On

20 February 2020

Report prepared by: Joe Chesterton
Executive Director (Finance and Resources)

Agenda
Item No.

Prioritising Resources to Deliver Better Outcomes 2020/21 to 2024/25

Cabinet Members: Councillor Ian Gilbert and Councillor Ron Woodley

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 2020/21 and a Capital Investment Programme for 2019/20 to 2024/25 including Prudential Indicators.
- 1.2 In addition, it deals with the Housing Revenue Account (HRA) and related rent levels and Treasury Management.
- 1.3 Comprehensive reports to the Cabinet on 16 January and 11 February 2020 set out the issues affecting the Council's budgetary position for 2020/21 including details of the provisional Local Government Finance Settlement. The Final Local Government Finance Settlement has since been announced and there were no changes. However, this is yet to be debated in the House of Commons and a vote held on the package. The debate and vote have been delayed by emergency legislation on the early release of terrorist offenders and the debate will be held as soon as possible after the House returns from recess on 24 February.
- 1.4 In accordance with the Council's Constitution, the Cabinet on 11 February 2020 agreed to recommend a revenue budget (including the HRA), Council Tax, four year financial projections and indicative budget investments and reprioritisations for 2020/21, Capital Investment 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 16 January and 11 February 2020 to agree:

2.1 A 2020/21 revenue budget and

- a Council Tax increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2020/21, being 1.99% for general use and 2.0% for Adult Social care;**
- the use of £2 million of the collection fund for the core budget;**
- to note the increase in the Council Tax level of 1.99% for the precepting authority the Essex Fire & Rescue Services;**
- to note the increase in the Council Tax level of 2.94% for the precepting authority the Essex Police;**
- to note the increase in the precept level of 6.04% for Leigh-on-Sea Town Council;**

2.2 The final levy position for 2020/21;

2.3 A Capital Investment Programme for 2019/20 to 2024/25 (Appendices 3 (i) and (ii));

2.4 The recommendations from Cabinet 11 February 2020 for the HRA and associated rent levels, Treasury Management and the 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 five year financial plan (Appendix 5) and associated Medium Term Financial Strategy;

2.7 The direction of travel for 2021/22 and beyond and noting the need for the organisation to move to a longer term and outcome based budgeting approach (Section 9);

2.8 To delegate authority to the Chief Finance Officer in consultation with the Leader to make the necessary adjustments to the contingency budget to maintain a balanced position in the event that the debate and vote on the Final Local Government Finance Settlement results in any changes;

3. Background

3.1 The various budgets and associated matters of the Council have been considered at the Cabinet meetings of 16 January 2020 and 11 February 2020 and at the various Scrutiny Committees from 28 January to 30 January 2020 and the Business Sector and Voluntary Sector consultation meeting on 16 January 2020, as outlined below:

- *Prioritising Resources to Deliver Better Outcomes 2020/21 to 2024/25;*
- *Housing Revenue Account Budget and Rent Levels 2020/21;*
- *Treasury Management Policy 2020/21 (Treasury Management scrutinised at Audit Committee 15 January 2020 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 Investment Programme as set out at Appendix 3. Other recommendations surrounded the HRA Budget and rent levels, Treasury Management and the Prudential Indicators. Details of all these items and relevant recommendations are all contained in the suite of Cabinet reports presented on 11 February 2020.

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 20 February 2020, 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 11 February 2020 (Appendix 3 of the Prioritising Resources to Deliver Better Outcomes 2020/21 to 2024/25 report.) In addition, further detail is

contained in the Medium Term Financial Strategy, Appendix 2 within the same report.

4.3 For 2020/21, the overall level of contingency within the proposed budget is £3.2 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 2020/21 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2020/21 the position is as follows;

- The Secretary of State has set the council tax principles for 2020/21 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 2019/20, they set a council tax increase that equals or exceeds 4.0% (comprising 2% for expenditure on adult social care and 2% for other expenditure).

4.5 In agreeing a proposed increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2020/21, being 1.99% for general use and 2.0% 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 2020/21, as reported in the suite of Cabinet reports in January and February 2020 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 Reserves is adequate and to recommend a Reserves Strategy which is achievable by 2020/21 in line with the factors set out in my S151 Officer Statement.

5. Council Tax and Collection Fund 2020/21

- 5.1 The Council Tax Base for 2020/21 was approved by Cabinet on 16 January 2020 at 58,680.94 (equivalent Band D properties).
- 5.2 The estimated balance on the Collection Fund at the end of 2019/20 shows a projected surplus of £2 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 1.99% 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 £13.86 per annum for a Band D property. This equates to an amount of circa £0.81 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 £1,311.60 per annum on the Southend-on-Sea element of the Council Tax. This equates to an annual increase of £27.51 and a weekly increase of 53p. 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 2020/21 at £447,392 (2019/20 = £421,625). Based on their council tax base of 8,845.24, the Town Council element of the total Council Tax bill will increase from £47.70 to £50.58 at Band D, equivalent to an increase of 6.04% from 2019/20. This only applies to the area covered by the Town Council.
- 5.8 For Essex Police an increase in its Council Tax has been approved by the Police, Fire & Crime Commissioner. This represents a Council Tax of £198.63 (2019/20 = £192.96) per Band D property, which equates to an increase on the respective 2019/20 level of 2.94%.
- 5.9 For Essex Fire & Rescue Services an increase in its Council Tax has been approved by the Police, Fire and Crime Commissioner. This represents a Council Tax of £73.89 (2019/20 = £72.45) per Band D property, which equates to an increase on the respective 2019/20 level of 1.99%.

- 5.10 This budget also includes the Adult Social Care Precept at an increase of 2.0% over the previous year. The proposed level equates to an annual increase of £27.66 (from £98.13 to £125.79) equivalent to a weekly increase of 53p at the Band D Council Tax level.

Levies

- 5.11 The Council is required to pay relevant levying bodies, who have all now provided their required levy for 2020/21 and the position for 2020/21 compared to 2019/20 is identified in the table below. The final approved levy also includes anticipated year-end adjustments for 2019/20 and 2020/21;

Levy Body	2019/20 Probable Actual	2020/21 Estimate	Percentage Increase
	£'000	£'000	%
Kent & Essex Inshore Fisheries & Conservation Authority	21.5	21.9	1.8.
Flood Defence – Environment Agency	200.5	204.7	2.1
Coroners Court	416.0	418.4	0.6
Total	638.0	645.0	

The 2020/21 budget proposed at Cabinet on 11 February 2020 included a total sum for levies of £645,000. The final approved levies and year-end adjustments for 2020/21 total £645,000. Therefore, no amendment is required to the levies budget for 2020/21. However, if there are any final adjustments to the above levies for 2020/21 this will be funded through contingency.

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 2020, the Cabinet considered the special expenses to apply in 2020/21 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 Investment Programme

- 6.1 The Cabinet also considered proposals for the Capital Investment Programme for 2019/20 to 2024/25 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 Investment 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 2019/20 to 2024/25. The 2020/21 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2020/21. In summary, it is my view, as the Council's Chief Financial Officer, that the 2019/20 to 2024/25 Capital Investment Programme is Prudent, Affordable and Sustainable.
- 6.4 To demonstrate compliance with these objectives a set of prudential indicators, as required by statute, is also recommended for approval.

7 Financial Sustainability Strategy (FSS)

- 7.1 This is a new high level long term strategy that frames the financial future and intentions for the Council. It will help set the context for the Medium Term Financial Strategy, guide our approach to maximising resources, prioritising investment and the effective targeting of resources to deliver the ambitions and outcomes contained within the Southend 2050 programme and Roadmap phases.
- 7.2 Its primary purpose is to outline our approach, desire and commitment to achieving financial sustainability by embracing the area's economic potential, growing our local tax base and increasing sustainable income capabilities.
- 7.3 The Financial Sustainability Strategy for 2020 to 2030 was included within the Prioritising Resources to Deliver Better Outcomes 2020/21 to 2024/25 report to Cabinet on 11 February 2020 at Appendix 1.

8 Medium Term Financial Strategy (MTFS)

- 8.1 The Medium Term Financial Strategy that was approved in February 2019 was for a five year period up to the financial year 2023/24. 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 alignment with the Council's 2050 ambition, 5 year road map and identified outcomes.

- 8.2 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.
- 8.3 The updated and full MTFS for the period 2020/21 to 2024/25 was included within the Prioritising Resources to Deliver Better Outcomes 2020/21 to 2024/25 report to Cabinet on 11 February 2020 at Appendix 2.
- 8.4 The MTFS shows a projected further budget gap for the Council of £23.2 million for the following four financial years. This is set out in detail in Appendix 5 and in summary as follows;

2021/22	£7.8 million
2022/23	£4.7 million
2023/24	£5.7 million
2024/25	£5.0 million
Total	£23.2 million

9 2021/22 and Beyond

- 9.1 The financial landscape and operating environment for public services generally and for local government in particular remains challenging and uncertain. Local Authorities have been provided with an initial financial settlement for 2020/21 only. No information is currently available for future years. Part of our strategic response to this challenge is to develop a new Financial Sustainability Strategy to outline, at a high level, our ambition, approach, desire and commitment to ensure that Southend-on-Sea Borough Council remains financially stable and resilient for the future.
- 9.2 This approach is important to assess, understand and take responsibility for our financial future. It will also enable us to be proactive in the delivery of our agreed Southend 2050 ambition, key priorities and to provide the best possible value for money services to our local residents, businesses and visitors. Our financial sustainability will be enhanced by embracing the Borough’s economic potential, growing our local tax base and by increasing our income generating and commercial capabilities.
- 9.3 The updated Medium Term Financial Strategy 2020/21 – 2024/25 provides an integrated view of the whole of the Council’s finances and priority investment plans over the medium term. This report outlines how scarce revenue and capital resources are prioritised and deployed to respond to increasing demand for key local services and to deliver better outcomes for local residents aligned to our Southend 2050 ambition, phased priorities and commitments.
- 9.4 This report predominantly addresses, as we are required to do, a detailed budget for 2020/21 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.

- 9.5 Like all local authorities in England, Southend-on-Sea Borough Council is facing unprecedented financial challenges. However the Council has, over a number of years, addressed significant funding gaps whilst also achieving improved efficiency and service delivery.
- 9.6 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 but this may need to be reviewed as greater pressure is being placed upon the services provided by the Council and also the way in which these are delivered. 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.
- 9.7 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.
- 9.8 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.
- 9.9 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.
- 9.10 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 Authorities 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.

- 9.11 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.

- 9.12 Given the financial challenge we have and will continue to face for a number of years, a longer term and outcome based budgeting approach will be needed to ensure there is the prioritisation and reallocation of our complete resource base.

10. Corporate Implications and Conclusion

- 10.1 The corporate implications of the proposed Council Budget have been set out in the relevant reports to the Cabinet meetings of 16 January 2020 and 11 February 2020.
- 10.2 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.
- 10.3 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 16 January 2020 and the full suite of reports on the final budget presented to Cabinet on 11 February 2020 represent part of the decision making process and all that detailed report information needs to be fully considered and recognised alongside this Council report.

11. Background Papers

- 11.1 All background papers are listed in the reports detailed at paragraph 3.1 in this report.
- 11.2 In addition, Background Papers include:
- (i) Minutes of the Cabinet meeting 16 January 2020;
 - (ii) Minutes of the Cabinet meeting 11 February 2020;
 - (iii) Minutes of the various Scrutiny Committees from 28 January to 30 January 2020 and feedback from the Business Sector and Voluntary Sector consultation meeting on 16 January 2020.

12. Appendices

Appendix 1	Revenue Budget and Council Tax 2020/21
Appendix 2 (i)	General Fund Budget Investment and Reprioritisation 2020/21
Appendix 2 (ii)	General Fund Budget Planned Use of Reserves
Appendix 3 (i)	Capital Investment Programme 2019/20 to 2024/25
Appendix 3 (ii)	Capital Investment Programme new schemes and additions
Appendix 4	Council Tax Resolution 2020/21
Appendix 5	Medium Term Financial Plan 2020/21 to 2024/25