

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Management Team
to
Cabinet
On
14 February 2017

Report prepared by: Joe Chesterton
Director of Finance & Resources

General Fund Revenue Budget 2017/18

All Scrutiny Committees

Executive Councillor: Councillor John Lamb

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present a 2017/18 General Fund revenue budget including schools and a proposal for the level of Council Tax for 2017/18.

2. Recommendations

That the Cabinet recommend to Council that it;

In respect of 2016/17;

- (i) **Note the forecast outturn of £123.206 million;**
- (ii) **Approve the appropriation of the sums to earmarked reserves totalling £6.468 million, as set out in detail in Appendix 16;**
- (iii) **Approve the appropriation of the sums from earmarked reserves totalling £7.226 million, as set out in detail in Appendix 16.**

In respect of 2017/18 and later years;

- (iv) **Consider and acknowledge the Section 151 Officer's (Director of Finance and Resources) report on the robustness of the proposed budget, the adequacy of the Council's reserves and the Reserves Strategy as set out in Appendix 1;**
- (v) **Approve a General Fund net revenue budget for 2017/18 of £123.153 million (Appendix 3) and any required commencement of consultation, statutory or otherwise;**

- (vi) Approve a Council Tax increase of 4.99% for the Southend-on-Sea element of the Council Tax for 2017/18, being 1.99% for general use and 3% for Adult Social care;
- (vii) Note that the 2017/18 revenue budget has been prepared on the basis of using £1.637 million for earmarked reserves for the core budget to allow for a smoothing of the budget gap across the next three financial year with a consequent replenishment of those reserves in 2017/18 and 2018/19. Also to note that £2.222 million of the Business Rates Retention reserve is being used to equalise the projected 2017/18 business rates yield.
- (viii) Note the position of the Councils preceptors:
- Essex Police Authority – approved Council Tax increase of 3.25%;
 - Essex Fire Authority - proposed Council Tax increase of 1.99%;
 - Leigh-on-Sea Town Council - approved precept increase of 1.59%.
- (ix) Approve that no Special Expenses be charged other than Leigh-on-Sea Town Council precept for 2017/18;
- (x) Approve the appropriation of the sums to earmarked reserves totalling £1.009 million, as set out in Appendix 16;
- (xi) Approve the appropriation of the sums from earmarked reserves totalling £17.150 million, as set out in Appendix 16;
- (xii) Approve the schools' budget and its relevant distribution as recommended by the Schools' Forum and as set out in Appendix 2;
- (xiii) Approve the pressures required of £3.000 million (Appendices 12 and 13) and the General Fund and Public Health savings required of £7.502 million (Appendices 14 and 15) and the subsequent individual service cash limits for 2017/18, as contained in Appendices 3 to 11;
- (xiv) Endorse the direction of travel for 2018/19 and beyond (Section 11);
- (xv) Approve the revised Medium Term Financial Strategy up to 2020/21 (Appendix 17).

That Cabinet;

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

3. Council Budget Process

- 3.1 The Council must set its revenue budget and Council Tax by 11 March of the preceding financial year. If, for whatever reason, the Council cannot agree a budget and Council Tax at Council on 23 February, Members should be aware that it is unlikely that the Council Tax bills could be sent out on time for the 1 April instalment (taking into account the necessary notice period and the time required to print the bills and accompanying leaflet).
- 3.2 It is also good practice to approve the capital programme and fees and charges at the same time as the revenue budget and reports elsewhere on this agenda deal with these matters. It should be noted that the revenue impact of both reports have been factored into the 2017/18 revenue budget proposed in this report.
- 3.3 The Housing Revenue Account (HRA) budget also needs to be agreed in a timely manner to ensure rent levels can be reflected from 1 April of each year. A separate report elsewhere on this agenda deals with Housing Rents, Charges and the HRA budget for 2017/18.
- 3.4 This report presents the proposed 2017/18 General Fund revenue budget of the Cabinet for recommendation to the Council at its meeting on 23 February 2017. It builds on the draft budget approved for consultation by the Cabinet at its meeting on 19 January 2017. It also now provides the latest position on the forecast outturn for 2016/17.
- 3.5 The Director of Finance and Resources' statutory statement on the robustness of the estimates and adequacy of reserves under s25 of the Local Government Act 2003 is included at Appendix 1. It should be considered by the Cabinet before recommending a budget to Council. It must also be considered by the Council before approving the budget and Council Tax.

4. Forecast Outturn 2016/17

- 4.1 The original budget for 2016/17 totalled £123.206 million and was to be met from available government grant and council tax and no use of revenue balances was anticipated.
- 4.2 Members have been supplied with projected outturn information throughout the year, based on forecasts and expectations of the Chief Executive and the Deputy Chief Executives and their Budget Managers, and in light of corrective action that they have identified as being necessary. The latest forecast outturn for 2016/17 amounts to £123.206 million. This forecast outturn includes a net appropriation from earmarked reserves totalling £0.758 million, details of which are shown in Appendix 16.
- 4.3 The reasons behind the year end projected position have been reported to all Members through the monthly budget monitoring process. The actual figure for the end of 2016/17 will be considered as part of the out turn report for 2016/17, which will be presented to the Cabinet in June 2017.

Budget 2017/18

Government Funding – Grant and Finance Settlement

- 5.1 Government funding of its main grant (formerly Formula Grant) is now the third ranked provider of funding for the Council's total general fund budget (excluding schools) after Council Tax and Business Rates. As such it represents a reducing factor in determining the Council's revenue budget. The provisional Local Government Finance Settlement for 2017/18 was issued by the Department for Communities and Local Government (DCLG) on 15 December 2016 and this represents the Government's next three year spending plans. The final Local Government Settlement is now due to be announced in the week commencing 20 February 2017. Therefore, this report is based upon data in the provisional finance settlement.
- 5.2 The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013. To recollect for Members the main changes arose from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. In previous years, the settlement announcement provided local authorities with their expected general revenue allocations for the following financial year. The settlement now provides authorities with a combination of provisional Revenue Support Grant (RSG) allocation and confirmation of Business Rates top up grant.
- 5.3 A key change to last year's settlement was the Government's recognition of the demand and demographic expenditure pressures on Adult Social Care and the ability for Local Authorities to implement an Adult Social Care precept of up to 2% to support the growing expenditure on Council budgets in this area.
- 5.4 The Adult Social Care precept is confirmed to continue, however, the Government has now introduced a flexibility to the precept in that the precept cannot exceed an additional 3% in 2017/18 and 2018/19 and an additional 2% in 2019/20 and that the maximum applied over this three year period (2017/18 to 2019/20) cannot exceed in total 6%.
- 5.5 Additionally, last year's settlement introduced a minimum RSG settlement for 4 years up to 2019/20. This was conditional upon the Council submitting an Efficiency Plan by 14 October 2016, which was duly submitted by the due date. DCLG has confirmed acceptance of the Council's efficiency plan and therefore to its entitlement of a guaranteed minimum sum of RSG.
- 5.6 The key points arising from the provisional settlement for Southend-on-Sea Borough Council are:-
- (i) The provisional Settlement Funding Assessment (SFA) (a combination of actual RSG and estimated business rates income) for 2017/18 is £47.618 million. This compares to an adjusted SFA of £53.638 million in respect of 2016/17 (a reduction of £6.020 million and equivalent to a 11.2% reduction);

- (ii) The RSG element for 2017/18 within the provisional SFA is £14.681 million. This compares to an adjusted RSG of £21.338 million in respect of 2016/17 (a reduction of £6.657 million and equivalent to a 31.2% reduction);
- (iii) The settlement provides indicative figures for a three year period (2017/18 to 2019/20);
- (iv) The introduction of an Adult Social Care Support grant funded by a reduction in the New Homes Bonus grant;
- (v) Some capital and specific grants are provisional and yet to be announced in full;
- (vi) As last year there is no Council Tax freeze grant offered by the Government this year;
- (vii) The 2017/18 referendum limit for Council Tax increases has been announced at a level of 5%, being 3% for expenditure on adult social care and 2% for other expenditure (2016/17 this was set at 4%, being 2% and 2% respectively);
- (viii) For 2017/18, funding to support social care and benefit health is being continued through the Better Care Fund; a pooled budget between the Council and Southend Clinical Commissioning Group (CCG). The provisional settlement has not indicated what the terms of the Better Care Fund are for 2017/18 but that these are to be announced in January/February. At that point the Council will have a better understanding of the pooled budget from existing NHS and Council resources will be in comparison to 2016/17. The proposed budget assumes that the Council's share of the BCF will at least remain unchanged;
- (ix) In addition, as announced in the 2015 Spending Review, the Council is also due to receive the first tranche of a new "improved" BCF directly through a S31 grant to further assist with the inherent pressures in adult social care. As yet the amount has not been confirmed.
- (x) The consultation on the provisional finance settlement ended on 13 January 2017 and this has informed the final settlement which is now due to be discussed in Parliament the week commencing 20 February with the final settlement being issued just before the debate.
- (xi) There has been a national revaluation of business rateable values, for implementation from 1 April 2017. Nationally the revaluation has resulted in a net increase of RV's, although some areas and some business types have seen reductions. As the revaluation process is designed to be revenue neutral (apart from an inflationary increase), the rate in the £ has been reduced so as to raise (nationally) the same amount of money from businesses. The provisional small business non-domestic rates (NNDR) poundage (multiplier) has been set at 46.6p (2016/17=48.4p) in accordance with the RPI inflation for September 2016. The associated

non-domestic poundage has been set at 47.9p (2016/17=49.7p). 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;

(xii) The Public Health service grant allocation for 2017/18 has been notified as £9.712million (a reduction of £0.245million on 2016/17).

- 5.7 It is very disappointing that the Government has recently announced a date for the issuance of the final settlement as late February, as it does not assist Local Authorities in finalising their budget plans for the forthcoming financial year. In addition, there are other Government announcements yet to be made including the terms for the Better Care Fund for 2017/18 and other relevant regulations.
- 5.8 Normally, the difference in the Government grant allocation between the provisional and final settlement is minimal and is dealt with in the final budget report to Cabinet. However, it is not possible to do that given the timing of when the announcement will be made.
- 5.9 Therefore delegated authority is recommended for the Director of Finance and Resources (S151 Officer) in consultation with the Leader to finalise the Council budget in time for Budget Council on 23 February 2017 once the settlement and other matters are announced.
- 5.10 If there is a difference of Government grant in the final settlement compared to that in the proposed budget then this will be dealt with by an adjustment to earmarked reserves.
- 5.11 The actions taken under this delegation will form part of the final budget report to the Council.

Government Funding – Dedicated Schools Grant (DSG)

- 5.12 The DSG is now mainly based on pupil numbers in the October before the beginning of each financial year, plus an estimate for the Early Years Block, plus an allocated High Needs Block, allowing an estimate of total grant to be made in order for local authorities to calculate individual school budgets in February.
- 5.13 The total DSG for 2017/18 is £144.1 million (2016/17 = £140.1 million). In practice the final DSG will exclude funding for Academies and is estimated to reduce by at least £81 million to £63.1 million.
- 5.14 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 (2016/17 = £1,320 / £935 per pupil) who have been registered for free school meals in any of the past 6 years. Based on estimates the Pupil Premium will

provide an additional £8 million for schools in Southend-on-Sea (both Maintained and Academy schools).

- 5.15 The Schools' Forum met on 18 January 2017 to consider its final recommendations for a balanced budget and confirmed their position as presented in the draft General Fund Revenue report presented to Cabinet on 19 January 2017. The final agreed position for Schools is as set out in Appendix 2.

General Fund Revenue Budget

- 5.16 This Council budget has been prepared against the background of the Governments' spending plans through various Budget speeches, the Chancellor's Autumn Statement and the Local Government provisional finance settlement. The various Government announcements continue to see the most substantial contraction of available public sector funding, but particularly in Local Government, for many decades.
- 5.17 In addition, it continues to be based upon the Government's significant funding reform for Local Government that has been the most radical in generations. As a result of both the significant contraction of available funding and the financial reforms there is a consequent need to continue to find a significant level of revenue savings over the next four financial years at least on par with the last four year period.
- 5.18 Following cross party member input to the 2016/17 budget round as part of the three year budget process, the outcomes have assisted in formulating this year's budget. Using this Member and portfolio holder input a detailed draft budget has been prepared by senior officers for the Cabinet to put forward that addresses the need for significant savings to be addressed and to set a balanced and robust budget. The various budget consultations have also assisted in informing the compilation of the Council's budget.
- 5.19 The draft General Fund Revenue budget for 2017/18 was considered by Cabinet on 19 January 2017. It was referred to Scrutiny Committees in late January 2017 for detailed Member consideration. The same draft budget was used to brief staff, consult with trade unions, the voluntary sector, the business sector and to brief the local press.
- 5.20 The 2017/18 General Fund revenue base budget requirement before savings and pressures is £126.924 million. Available funding, including Council Tax, estimated Business Rates and Government grant (excluding the Adult Social Care precept) is £115.919 million. A high level budget summary of the position is set out at Appendix 3. The 2017/18 revenue budgets for each Portfolio are then set out in Appendices 4 to 11 and show the original budget and probable outturn for 2016/17 and the 2017/18 base budget before and after savings and pressures.
- 5.21 The budget identifies a number of pressures being faced by the Council, which need funding and these total £3.000 million. These are set out in detail in Appendices 12 and 13. After applying the required pressures of £3.000 million to the base budget there is a budget gap to find in 2017/18 of £14.005 million through departmental savings, corporate contingencies, use of the adult social care precept and earmarked reserves.

- 5.22 Along with all other Local Authorities the Council is facing extreme demand and cost pressure in Adult Social Care and Children spending. The Local Government Association (LGA) estimates that Adult Social Care faces a national funding gap of £1.3 billion by 2019/20 (even with the measures announced in the 2015 Spending Review) based on pressures caused by demography, inflation and the National Living Wage. In addition to this, LGA analysis of “fair price” of care calculations developed by provider organisations suggests that the scale of the immediate challenge could be in the order of at least £1.3 billion. This is the minimum requirement to stabilise the provider market meaning that a total of at least £2.6 billion is needed by the end of the decade.
- 5.23 The Council’s budget setting needs to recognise these spending pressures to ensure that a robust budget is set alongside managing the risks of service delivery in these areas.
- 5.24 The Budget Pressure proposals recognise these known cost pressures the Council is currently facing. For Adult Social Care spending, a number of the pressures can be financed by the on-going Adult Social Care Precept. However, Children’s cost pressures will need to be financed by the Council Tax. Both areas of required funding have been recognised in the proposed budget. The Adult Social Care and Children cost pressures identified for the 2017/18 proposed budget reflect the realignment of the respective base budgets to ensure there is adequate budget to manage the required service demands and delivery.
- 5.25 Additionally, given the volatile national picture outlined above, it is recommended that within the earmarked reserves that specific reserves are identified to act as a precaution to any further in year demands on Adult Social Care and Children spending. The identification of these reserves form part of the S151 Officers statement on the adequacy of balances and the robustness of the budget at Appendix 1 and included within the Medium Term Financial Strategy at Appendix 17.

5.26 The proposed use of the Adult Social Care precept is as follows:-

	£m	£m
Service Investments		
Enhancement to services for complex care needs	0.800	
Investment to maintain community independence	0.200	
Total		1.000
Adult Social Care Pressures		
National living wage (part - 7P)	0.750	
Older People demographics (6P)	0.500	
Learning Disabilities – Transition of Children to Adults (5P)	0.400	
Total		1.650
Baseline Services		
Existing Adult Social Care Services	0.725	
Total		0.725
Grand Total		3.375

- 5.27 £1.650 million of the identified total pressures of £3.000 million will therefore be met from the Adult Social Care precept. In addition, it is proposed to meet a further £0.850 million of the pressures (the remaining £0.250 million of the national living wage pressure on adult services (7P) and the £0.600 million children’s pressure (4P)) from the corporate inflation contingency. This reduces the pressures to be funded by £2.500 million to £0.500 million.
- 5.28 In addition, £0.725 million of the Adult Social Care precept will be used to fund existing adult social care services, effectively reducing the budget gap further.
- 5.29 The proposals in paragraphs 5.27 and 5.28 reduce the budget gap of £14.005 million to £10.780 million.
- 5.30 The budget gap is then reduced further by various departmental savings proposals, which total £6.921 million set out fully in departmental order in Appendices 14 and 15.
- 5.31 By agreeing the proposed savings of £6.921 million (excluding Public Health savings of £0.581 million, as these savings are ring fenced against the Public Health grant allocation) the budget gap falls to £3.859 million. Rather than make more savings to balance the budget, it is proposed to use £3.859 million of earmarked reserves to balance the budget.
- 5.32 The budget proposals therefore include the use of £2.222 million of the business rates retention reserve to fund the anticipated shortfall in the business rates yield following the 2017 revaluation, a review of the appeals provision and the deficit on the 2016/17 collection fund. The revised position comes from the now submitted NDR1 form, which was agreed in line with the approved delegation and reasoning contained in the Council Tax Base and Non Domestic Rating Base 2017/18 report approved at Cabinet on 19 January 2017.
- 5.33 Additionally, there is the proposed use of £1.637 million earmarked reserves to allow the smoothing of the three year budget gap and therefore to fund the

balancing of the 2017/18 core budget. Clearly the use of earmarked reserves to balance the budget is not sustainable unless arrangements are made to repay those reserves. The MTFS therefore also allows for the replenishment of the use of these reserves for the core budget, thereby increasing the savings targets in later years.

5.34 This results in a balanced 2017/18 revenue budget of £123.153 million (2016/17 £123.206 million).

5.35 As part of the budget proposals, there are also some one-off growth items that are proposed to be funded for their temporary nature by the use of earmarked reserves. The items of revenue growth are;

- Energy Efficiency Team - £100,000 pa for 2017/18 and 2018/19. To continue support for the Energy Efficiency Team to undertake innovation and flexibility studies into energy efficiency resources that will produce annual revenue savings for both the Council and schools budget. This total funding is to be reimbursed to reserves as the team becomes self-sufficient in its operation;
- Air Quality Management - £50,000 pa for 2017/18, 2018/19 and 2019/20. This funding is to provide the required specialist support needed to identify improvements for Air Quality in the town;
- Edge of Care - £250,000 pa for 2017/18 and 2018/19. This funding is to reduce the number of children being taken into care by supporting the family to keep the child safe at home;
- Economic Development - £50,000 for 2017/18 and £100,000 for 2018/19. This is to further enable one-off research and staff support for the promotion of the town;
- Ofsted Improvement Plan £300,000 in 2017/18 and £150,000 for 2018/19 (6 months). Arising from the 2016 Ofsted inspection, time limited resources are required to ensure delivery of the agreed improvement plan;
- School Improvement - £200,000 pa for 2017/18 and 2018/19. This funding is to continue school improvement support including support for pupils to attain Grammar School entrance.
- Commercial Opportunities - £100,000 pa for 2017/18 and 2018/19. This funding is to provide a resource to continue to undertake various feasibility studies and business cases for potential commercial opportunities that generate an on-going annual revenue return for the Council.

5.36 A total of £2.050 million of earmarked reserves are being used to fund the above items of one-off project spending (of which £1.050 million is in 2017/18).

Appropriations for 2017/18

- 5.37 The presentation of the budget reflects proposed net appropriations from earmarked reserves totalling £16.141 million, including those used to balance the budget, for which separate approval is sought. Full details are shown in Appendix 16.

Changes made since Draft Revenue Budget presented to Cabinet 19 January 2017

- 5.38 The changes from the draft budget approved by the Cabinet on 19 January 2017 are:

- The allocation of service pressures and savings proposals to individual budgets;
- The allocation of the latest position on the Dedicated Schools Grant;
- The overall budget has also continued to be amended for minor changes for accuracy;
- The inclusion of a further one-off growth item in 2017/18 and 2018/19 for Commercial Opportunities
- The adjustment of the use of the Business Rates Retention reserve.

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

Council Tax 2017/18 and Estimated Collection Fund Balance 2016/17

- 5.40 The Council Tax Base for 2017/18 was approved by Cabinet on 19 January 2017 at 56,917.61 (equivalent Band D properties).

- 5.41 The estimated balance on the Collection Fund at the end of 2016/17 shows a projected surplus of £0.5 million attributable to the Council and which has been used in calculating the Council Tax, as statutorily required.

- 5.42 The proposed budget assumes a Council Tax increase at 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 this year. In addition no referendum limit has been breached.

- 5.43 The Cabinet (and Scrutiny Committees) may wish to bear in mind that a 1% change in Southend-on-Sea Borough Council's element of the Council Tax is £12.06 per annum for a Band D property. This equates to an amount of circa £0.69 million in the revenue budget for each 1% change.

- 5.44 The proposed Council Tax increase of 1.99% will mean a Band D level of £1,206.64 per annum on the Southend-on-Sea element of the Council Tax. This equates to an annual increase of £24.00 and a weekly increase of 46p.

- 5.45 The total Council Tax payable by tax payers consists of Southend-on-Sea Borough Council precept, the Adult Social Care precept and the precepts for Essex Fire Authority, Essex Police & Crime Commission. Where applicable it also includes the Leigh-on-Sea Town Council precept.

Precepts

- 5.46 Leigh-on-Sea Town Council has confirmed its precept for 2017/18 at £401,085 (2016/17 = £391,550). Based on their council tax base of 8717.19, the Town Council element of the total Council Tax bill will increase from £45.27 to £45.99 at Band D, equivalent to an increase of 1.59% from 2016/17. This only applies to the area covered by the Town Council. The final decision was made at an extraordinary meeting of the Town Council on 7 February 2017.
- 5.47 Essex Police Authority through the Police Commissioner has by law to set its precept no later than 1st March 2017 (after consideration by its Police & Crime Panel on 29 January 2017). The latest position is that the Police Commissioner has approved a Band D Council Tax at £157.05 (£152.10 for 2016/17), which is a 3.25% increase. This has been formally announced as the final decision.
- 5.48 Essex Fire Authority is due to set its precept on 15 February 2017. The current position as reported at its Policy & Strategy Committee on 4 January 2017 is that the precept is proposed to increase by 1.99% with the Band D level increasing to £69.03 (£67.68 for 2016/17).
- 5.49 The Council Tax report for Council on 23 February 2017 will report on the final Council Tax Band D level for the Essex Fire Authority.
- 5.50 In addition, the budget also assumes the continuation of the Adult Social Care precept a level of 5% of the main council tax (an increase of 3% 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 3% equates to an annual increase of £36.12 (from £23.18 to £59.30) equivalent to a weekly increase of 69p. It is proposed that the Adult Social Care precept be used to support the service for a mixture of existing and new spending pressures as set out above in Section 5.

Levies

- 5.51 The Council is required to pay relevant levying bodies, who have all now indicated their levy position for 2017/18. The final levies will be reported on in the Council Tax report for Council on 23 February. The current position for 2017/18 is identified in the table below:-

Levying Body	2016/17	2017/18	Percentage
	Probable	Estimate	increase
	Actual		
	£'000	£'000	%
Kent and Essex Inshore Fisheries and Conservation Authority (Final)	21.5	21.5	0.0
Flood Defence – Environment Agency (Provisional)	178.0	187.6	5.4
Coroners Court (Provisional)	365.2	370.8	1.5
Total	564.7	579.9	

The Kent and Essex Inshore Fisheries and Conservation Authority levy has been confirmed and is proposed at the same level as 2016/17. The Flood defence levy is provisional and the reason for the increase is due mainly to a 5% increase from the Anglian Eastern Regional Flood and Coastal Committee. The Coroners Court levy is provisional and the key reason for the increase in the Coroners court levy is due to Essex County Council no longer expecting to receive any income from Essex Police.

6. Medium Term Financial Strategy (MTFS)

- 6.1 The Medium Term Financial Strategy that was approved in February 2016 was for a four year period up to the financial year 2019/20. It is now in the need of updating as a result of the recent Local Government Finance Settlement, changes to the projections in the current financial planning figures and a review of our service delivery plans and recently refreshed corporate priorities.
- 6.2 It is good practice to update the rolling MTFS as part of setting the Council budget and Council Tax to ensure our financial planning is fully aligned and integrated.
- 6.3 The updated MTFS for the period 2017/18 to 2020/21 is attached at Appendix 17.
- 6.4 The MTFS shows a projected further budget gap of £22.9 million for the following three financial years as follows:

2018/19	£10.3 million
2019/20	£5.1 million
2020/21	£7.5 million
£22.9 million	

7. Staffing implications of 2017/18 budget savings proposals

- 7.1 The saving proposals outlined in this report will delete 10.4 full time equivalent (fte) posts across the Council, of which 8.4 (81%) are currently vacant.
- 7.2 Formal redundancy consultation with the recognised Trades Unions has commenced and all staff have been fully briefed on the implications of these proposals.
- 7.3 In addition, there are a number of transformation projects within the People Department, including Adult Services – Learning Disabilities (PE1), Liquid Logic Efficiency Savings (PE4), Transformation of Housing (PE6) and Business Support Review (PE9), 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.
- 7.4 The staffing reductions will be managed in accordance with the Council's policies on Managing Organisational Change and Redundancy.
- 7.5 The Council's Workforce Planning Panel will continue to control recruitment to vacant posts (permanent and temporary) and, wherever possible, staff identified as 'at risk' of redundancy will be redeployed through the Talent Pool. In addition, the Council will be working with other Essex authorities and partners in order to maximise redeployment opportunities across the county region.
- 7.6 Volunteers for redundancy have already been sought in order to minimise the number of compulsory redundancies.
- 7.7 A comprehensive package of support for all staff but particularly those directly affected by these proposals has been put into place. This includes coaching and counselling, as well as practical support with job applications and money management.

8. Corporate Priorities

- 8.1 The proposed revenue budget has regard to the Council's 2017/18 Corporate Priorities, which are attached at Appendix 18.

9. Budget Consultation

- 9.1 The media coverage of the public sector economic situation places a worthy expectation for local authorities to engage communities in the difficult decisions that will determine what services are delivered by the Council and how.
- 9.2 The Council has undertaken a number of targeted consultations which have focused on service redesign and renewal of contracts for commissioned services to implement previously agreed savings, improve the service offer and help inform budget proposals for 2017/18. Such consultations with service users and wider stakeholders have included those on: the Council Tax Reduction Scheme, Advocacy Support services, Dementia Care, Carer's Support and Children's Centres have all informed the budget setting process.

- 9.3 Alongside the targeted consultations, Our Town Our Future, a community visioning exercise to help shape the Council's contribution to the vision of the Borough has been taking place throughout 2016. The community conversations taking place are helping to shape the Council's future priorities.
- 9.4 The overall results and comments from the consultation have continued to help inform the preparation of the 2017/18 revenue budget.
- 9.5 The draft budget approved at Cabinet on 19 January 2017 has been presented to all three Scrutiny Committees and a meeting of the Business and Voluntary Sector. The feedback from each of these scrutiny bodies is as follows;-

Place Scrutiny - Place Scrutiny Committee requested that Cabinet reconsider saving PL20 – Bikeability level 2 training in schools, and sought clarification about saving PL2 – Southend Theatres Subsidy, but otherwise offered no comments on the draft general fund budget for 2017/18

People Scrutiny – clarification was sought on a number of pressures and savings proposals, and on the movement within some budget lines, but otherwise offered no comments on the draft general fund budget for 2017/18

Policy & Resources - clarification was sought on a couple of the proposed savings in the Chief Executive Department and a view for consideration of one - off resources for commercial opportunities.

Business and Voluntary Sector - Clarification was sought on the financing of the capital programme and on the recent announcement of the new Schools Funding Formula.

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

- 10.1 Each department has produced a departmental equality analysis taking into consideration any equality and cohesion impacts that restructuring their service may have on staff and service users. The results were then challenged by an internal team of officers and then by the Corporate Management Team.
- 10.2 As before the aim will be to protect delivery of key frontline services as well as highlight greater opportunities for collaborative working with partners to deliver services. Staff, Councillors, Trade Unions, Service users and residents were consulted and engaged in the process. These include but were not limited to, Chief Executive briefing sessions, Departmental Management and Team meetings, workshops and resident engagement via the budget consultation process.
- 10.3 Recommendations made in departmental supporting action plans identify how each department will aim to address and mitigate any indirect differential impact on staff and services over the coming year.
- 10.4 An overarching EIA is attached at Appendix 19.

11. 2018/19 and Beyond

- 11.1 In addressing the national economic situation the Government has continued to emphasise 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 Statement on 23 November 2016 with further restriction placed on the Government's public spending plans up to 2021 with the commitment to its departmental spending plans set out in the Spending Review 2015. The tightening and reduction of Government funding contributions to local government funding and the new Government's changes from April 2013 for the funding of Local Government, means that the current financial challenges for 2018/19 and beyond will continue. This needs to be seen as part of a continued 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.
- 11.2 This report predominantly addresses, as we are required to do, a detailed budget for 2017/18 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.
- 11.3 Like all local authorities in England, Southend-on-Sea Borough Council is facing unprecedented financial challenges. The Council has, over a number of years, addressed significant funding gaps whilst also achieving improved efficiency and service delivery. In the current, and forecast, period of national financial stringency the scale of financial contraction is such as to challenge the scale, nature and purpose of the role of the Council.
- 11.4 Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost. As funding continues to reduce greater pressure is being placed upon the services provided by the Council and also the way in which these are delivered.
- 11.5 Since the beginning of the national fiscal situation the Council has striven to sustain its full range of services but it is increasingly likely that this approach will be unviable.
- 11.6 The Council will increasingly focus the delivery of its services in a targeted way, concentrating on delivering services to those residents who need the Council's help. The Council will also adopt this as an approach in tailoring the delivery of its many statutory services. To underpin this approach the Council will also reposition its role as one to help the community, its residents and businesses, to take personal control of as many factors affecting their lives as is possible.
- 11.7 The Council will continue to adopt an increasing approach of working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with the local communities, encouraging community capacity to operate in appropriate circumstances.

- 11.8 The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training and opportunity and by fostering and promoting the local economy and thereby enhancing opportunities for aspiration, attainment, household income and personal achievement.
- 11.9 The Council will also seek to explore innovative income generation opportunities that will assist with increasing the Council's revenue sources to assist with bridging the significant budget gap the Council has to deliver. In addition, there is the intention to look greater at commercial opportunities for services of the Council.
- 11.10 Given the financial challenge we have and are to continue to face for a number of years, a continued programme of corporate working will continue with this efficiency drive and to help support the identification of savings for future years. This will allow us to have a programme driving transformational change in the organisation and will allow a clear focus on delivery of the required significant savings that will be required over this period.
- 11.11 Over the coming year it will be extremely important to consider future year potential savings proposals in anticipation of delivering tailored services for the community whilst addressing the known budget reductions required from our total budget and reflecting the estimated significant government grant reductions. It is currently anticipated arising from the Autumn Statement in late 2016, that further savings in the order of £22.9 million will be required from the Council's circa £119 million annual net budget for the three years 2018/19 to 2020/21.
- 11.12 It is clear that the budget savings presented for 2017/18 cannot be continually repeated in successive years without the Council considering how it delivers services across the borough to avoid duplication of overheads, achieve economic delivery and still provide facilities and services valued by the community.

12. Corporate Implications

12.1 Contribution to Council's Vision & Critical Priorities

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

12.2 Financial Implications

As set out in the body of the report.

12.3 Legal Implications

None at this stage.

12.4 People Implications

The proposed budget will have an impact on staffing levels and the implications are set out in section 7 of this report.

12.5 Property Implications

None

12.6 Consultation

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

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

Staff have been kept abreast of progress and opportunities for contributions through personal briefings by the Chief Executive, a dedicated 'speak up' email suggestion inbox and through written briefings.

12.7 Equalities Impact Assessment

Assessments have been carried out for proposed savings in the 2017/18 revenue budget and an overarching EIA is attached as Appendix 19 to this report.

12.8 Risk Assessment

The budget proposals have been subject to the Chief Executive, Deputy Chief Executive's and Directors review of risk and robustness. These have informed the Director of Finance & Resources' Section 25 statement of the 2003 Local Government Act on the robustness of estimates and adequacy of reserves as part of this report and the report to Budget Council on 23 February 2017.

12.9 Value for Money

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

12.10 Community Safety Implications

Assessments have been carried out for all revenue proposals.

12.11 Environmental Impact

Assessments have been carried out for all revenue proposals.

13. Background Papers

The Local Government Finance Settlement 2017/18, DCLG

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

Equality Impact Assessments

14. Appendices

Appendix 1	S151 Officer's Statement on adequacy of balances and the robustness of the budget
Appendix 2	Schools Budget 2017/18
Appendix 3	Summary of 2017/18 General Fund Revenue Budget
Appendix 4	2017/18 budget - Leader
Appendix 5	2017/18 budget – Corporate & Community Support Services
Appendix 6	2017/18 budget – Culture, Tourism & the Economy
Appendix 7	2017/18 budget – Transport, Waste & Cleansing
Appendix 8	2017/18 budget – Housing, Planning & Public Protection Services
Appendix 9	2017/18 budget – Children & Learning
Appendix 10	2017/18 budget – Health & Adult Social Care
Appendix 11	2017/18 budget - Technology
Appendix 12	Schedule of Proposed Pressures
Appendix 13	Description of Proposed Pressures
Appendix 14	Schedule of Proposed Savings
Appendix 15	Description of Proposed Savings
Appendix 16	Appropriations
Appendix 17	Medium Term Financial Strategy
Appendix 18	Corporate Priorities 2017/18
Appendix 19	Equality Analyses supporting budget proposals