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| Report title: Organisation Plan and Budget 2018/19 and refreshed Organisation Strategy | |
| Report author: Margaret Lee, Executive Director, Corporate and Customer Services and Jason Kitkat, Executive Director, Corporate Development | |
| Date: 23 January 2018 | For: Decision |
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| County Divisions affected: All Essex | |

1 Purpose of the Report

- 1.1 The report asks that the Cabinet make a recommendation to the Council that it adopts the Refreshed Organisation Strategy, Organisation Plan and Budget 2018/19 including the revenue budget, capital programme, financial strategy, and capital strategy.
- 1.2 The Organisation Plan publishes our achievements in 2017/18 and our plans for 2018/19, highlighting those actions that the council will focus on. We have brought together the Budget Book and Organisation Plan for 2018/19 into a single document to further align our approach to financial and business planning.
- 1.3 The Organisation Strategy has been refreshed since being approved at Council in July. This now includes a new area of focus, end states for each priority, new equality objectives and a more developed building blocks section with our approach to service standards, commissioning and partners. It also takes into account the further development of the workforce strategy.
- 1.4 The report includes the Council's proposed financial strategy from 2019/20 to 2020/21, which is informed by the best information available regarding future funding and demand, whilst noting the risks and mitigations approach as outlined in the report.
- 1.5 Cabinet is asked to note that whilst the Council is able to present a balanced budget for 2018/19, this does assume full delivery of savings and there is not yet a balanced position for 2019/20 and 2020/21.

2 Decision Areas and Recommendations

Organisational Plan and Revenue Budget: Cabinet is asked to make the following recommendations to Full Council:

- 2.1 That the Organisation Plan be approved in the form appended to this report.
- 2.2 That the Refreshed Organisation Strategy be approved in the form appended to this report.
- 2.3 The net revenue budget requirement to be set at **£865.2million (m)** (net cost of services less general government grants) for 2018/19 – Appendix A (page 33)
- 2.4 The net cost of services to be set at **£910.3m** for 2018/19 – Appendix A (page 33).
- 2.5 The total council tax funding requirement be set at **£635.6m** for 2018/19 – Appendix A (page 33).
- 2.6 That a 2% social care precept be levied and a 2.99% increase to Essex County Council's element of the council tax, therefore the Essex County Council element of the council tax for charge for a Band D property in 2018/19 will be **£1,221.75**. A full list of bands is as follows:

| Council Tax Band | 2017/18 £ | 2018/19 £ |
|------------------|-----------------|-----------------|
| Band A | 775.80 | 814.50 |
| Band B | 905.10 | 950.25 |
| Band C | 1,034.40 | 1,086.00 |
| Band D | 1,163.70 | 1,221.75 |
| Band E | 1,422.30 | 1,493.25 |
| Band F | 1,680.90 | 1,764.75 |
| Band G | 1,939.50 | 2,036.25 |
| Band H | 2,327.40 | 2,443.50 |

- 2.7 That the proposed total schools budget be set at **£517.5m** for 2018/19 which will be funded by the Dedicated Schools Grant.
- 2.8 That the underlying balance on the General Balance be set at **£55.1m** as at 1 April 2018 (Appendix A, page 55).
- 2.9 That the capital payments guideline be set at **£298.6m** for 2018/19 and that the Executive Director for Corporate and Customer Services, in consultation with the Cabinet Member for Resources be authorised to make adjustments to the

phasing of payments between years (should that be necessary) as the capital programme is finalised, and to report any impact on the Prudential Indicators at the subsequent quarterly review to Cabinet in July 2018. Any requests to change prudential borrowing would be brought back before Full Council.

Cabinet are asked to agree the following:

- 2.10 That the Cabinet Member for Resources, in consultation with the Executive Director, Corporate and Customer Services, may make adjustments to the recommendations to Full Council upon receipt of:
- (a) the final tax base and forecast business rates receipts for 2018/19 from the billing authorities (due by 31 January 2018)
 - (b) the final settlement from Government expected early February 2018.
- 2.11 That the statement of the Executive Director, Corporate and Customer Services (section 151 officer) on the robustness of the estimates and reserves and capital strategy be noted (Appendix A pages 20 to 23).

Capital Strategy: the Cabinet are requested to make the following recommendations to Full Council:

- 2.12 That the 2018/19 - 2020/21 Prudential Indicators and limits, together with updated limits for 2017/18 as set out in **Annexes 1A** and **1B** of the Capital Strategy (Appendix A).
- 2.13 That the Treasury Management Strategy for 2018/19 be approved comprising:
- a. Borrowing strategy, as set out in **Annex 1** of the Capital Strategy (Appendix A page 66).
 - b. Treasury management investments strategy, as set out in **Annex 1** of the Capital Strategy (Appendix A, page 73).
 - c. Indicative strategy for commercial investment activities, as set out in **Annex 1** of the Capital Strategy (Appendix A page 75).
- 2.14 That the policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provision policy as set out in **Annex 1C** of the Capital Strategy (Appendix A page 84).
- 2.15 The Treasury Management Policy Statement and Treasury Management Practices be updated to those, set out in **Annexes 1E**, **1F** and **1G** of the Capital Strategy (Appendix A page 89).

For Cabinet to note:

- 2.16 Note the medium term (2019/20 – 2020/21) revenue issues facing the Council as set out in the report (Appendix A – page 24), highlighting the funding sources and implications. The position is based on the best intelligence

available today including future funding, price rises and demand; but there is inherent uncertainty given the changes in national and local circumstances.

- 2.17 Note that the recommendations in this report present a balanced budget for 2018/19. The Council's plans for 2019/20 and 2020/21 are not sufficiently firm as to allow for a balanced budget to be set. Further opportunities for improving income and funding, plus greater efficiencies will need to be secured in the medium term which will be achieved by a focus on outcomes based commissioning.
- 2.18 Note that the above figures are based on a Band D tax base of **520,199** properties (see Appendix A page 33).
- 2.19 Note that the Capital Strategy, which is presented as Annex A in Appendix 1, sets out the long term context in which capital expenditure and investment decisions are made by the Council and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. It comprises a number of distinct, but inter-related, elements as follows:
- **Capital expenditure** – this provides an overview of the governance process for approval and monitoring of capital expenditure, including the Council's policies on capitalisation, and an overview of its capital expenditure and financing plans.
 - **Capital financing and borrowing** – this provides a projection of the Council's capital financing requirement, how this will be funded and repaid, sets out the Council's borrowing strategy and explains how the Council will discharge its duty to make prudent revenue provision for the repayment of debt.
 - **Treasury management investments** – this explains the Council's approach to treasury management investment activities, including the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed.
 - **Commercial investments** – this provides an overview of the Council's intended approach to commercial investment activities, including processes, due diligence and defining the Council's risk appetite in respect of these, including proportionality in respect of overall resources.
 - **Treasury management policy statement and treasury management practices** - presents, for approval, updates to the Council's Treasury Management Policy Statement and to its Treasury Management Practices. These set out the Council's policies, objectives and approach to risk management of its treasury management activities, and the manner in which it seeks to achieve its policies and objectives for treasury management.

3 Statement of the Executive Director for Corporate and Customer Services (s151 Officer)

The Executive Director for Corporate and Customer Services is the section 151 Officer as defined by the Local Government Act 1974 and is also the Chief Financial Officer for regulatory and statutory purposes.

The reports by the Executive Director for Corporate and Customer Service on the budget and the Capital Strategy are shown on pages 20 to 23 of Appendix A.

4. Other Issues

4.1 The findings of the Equality Impact Assessment (EIA) carried out are included at Appendix C of this report.

4.2 The review of the fees and charges schedule is an annual process with fees and charges being agreed by officers or by the relevant Cabinet Member. The fees and charges that underpin the 2018/19 budget are published on our website.

<http://www.essex.gov.uk/Your-Council/Council-Spending/>

5. Relevance to the Council's Organisation Strategy and Plan

5.1 The Organisation Plan for 2018/19 covers the action we will take next year to deliver our Organisation Strategy, alongside our budget. These documents are set out in Appendix A.

6. Internal and External Consultation

6.1 All Executive Directors and Directors have been involved in the preparation of the Organisation Plan.

6.2 Through budget consultation meetings the Council engage with representatives from the unions and from the business community.

6.3 This report will also be reviewed by the Corporate Scrutiny Committee prior to final presentation of the Organisation Plan to Council on 13 February 2018.

7. Legal Implications (Monitoring Officer)

7.1 In each financial year the Council must make its budget calculation in accordance with sections 42A and 42B of the Local Government Finance Act 1992. In particular, it must calculate the aggregate of:

- The expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year

- Such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year
- The financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure
- Such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

- 7.2 Those calculations are then used to determine the council tax requirement for the year.
- 7.3 The Council is required to set a balanced budget and in considering the budget the Council must have regard to the advice of its Chief Finance Officer appointed under section 151 of the Local Government Act 1972.
- 7.4 The Council must issue any precept or precepts in accordance with section 40 of the Local Government Finance Act 1992. The section prescribes what must be included in the issue of the precept. It must be issued before 1 March in the financial year preceding that for which it is issued, but is not invalid merely because it is issued on or after that date.
- 7.5 Under section 25 of the Local Government Act 2003, the Chief Financial Officer (section 151 officer) is required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report. The Chief Finance Officer is also required to report on the level of reserves.
- 7.6 In deciding its Capital Programme for the year, the Council must have regard to the 'Prudential Code' established by and under in the Local Government Act 2003. This is addressed in the report.
- 7.7 The budget makes provision on the basis that a number of changes to council services which are under consideration may be made. The budget does not itself authorise any changes to services and does not assume that changes will be made. Any changes to services will need to be the subject of appropriate consideration by the Cabinet Member or the Cabinet following, where appropriate, consultation and a full report setting out options for change, the impact of the proposed changes on service users, including in particular the impact on different equality groups. Where a decision is made not to implement any changes then budgetary adjustments will need to be made.
- 7.8 The setting of the budget is a function reserved to the Full Council but the Cabinet are required to consider the recommendations it wishes to make to Full Council on the various calculations the authority is required to make. Once the

budget is agreed by Full Council, the Cabinet cannot make any decisions which conflict with that budget, although variations and in year changes may be made in accordance with the Council's Financial Regulations which have been adopted by the Council. Similarly, any decision made by the Cabinet or by an officer exercising executive functions must be made in accordance with the policies, plans and strategies agreed by Full Council, including the Council's Organisation Strategy.

- 7.9 Section 106 of the Local Government Finance Act 1992 restricts any member of the Council from voting on the budget or council tax requirement if they owe any amount of council tax to any local authority which has been outstanding for more than two months. If such a member attends a meeting at which the council tax requirement is to be set they must declare this fact and they cannot vote. It is an offence to vote or to fail to make this declaration.
- 7.10 Section 52ZB of the Local Government Finance Act 1992 requires the Council, when setting council tax, to determine whether or not the increase is 'excessive'. An increase is excessive unless it is within parameters determined by the Secretary of State. If an increase is 'excessive' it can only be implemented if supported by a referendum. The draft principles for 2018/19 published by the Secretary of State in December 2017 state that for ECC any increase of 3% or more (excluding social care precept) would be defined by the then Secretary of State as 'excessive'.
- 7.11 The social care precept is proposed to be achieved by allowing authorities to increase council tax by a further 3%. There is no legal requirement for the money raised to be used for adult social care services, but the Secretary of State has indicated that he will ask local authorities how they have spent the money. If an authority is unable to demonstrate usage for social care purposes he may restrict that authority's ability to raise council tax in future years. The final decision on what is an 'excessive' increase for 2018/19 has not yet been made, and a decision is not expected until early February 2018. If the Council sets council tax before the finance settlement then it would need to reconvene to determine whether or not the increase is excessive.

8. Staffing and Other Resource Implications

- 8.1 An element of reorganisation and reshaping will be required to support efficiency gains in some operational areas. HR implications which may arise as a result of operational plans flowing from this budget will be addressed under their specific implementation plans.

9. Equality Impact Assessment

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. In addition, marital status is a relevant protected characteristic for 8.1(a).

9.3 The equality implications have been assessed as part of the budget setting process as detailed in Appendix C and on the Organisation Strategy as set out in Appendix D. Equality impact assessments will be carried out as part of individual schemes being considered to implement the budget - please see paragraph 7.7 of this report for further information.

10. List of Appendices

Appendix A – Essex Organisation Plan 2018/19

Appendix B – Refreshed Organisation Strategy

Appendix C – Equality Impact Assessment (Organisation Plan and Budget)

Appendix D – Equality Impact Assessment (Organisation Strategy)