

COUNCIL

7 FEBRUARY 2017

REPORT OF CABINET

A.1 EXECUTIVE'S PROPOSALS – GENERAL FUND BUDGET AND COUNCIL TAX – 2017/18

(Reference prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to Council the Cabinet's General Fund budget proposals including the Council Tax for District and Parish / Town Council Services for 2017/18.

EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the Cabinet's budget proposals approved for submission to Council at their meeting on 20 January 2017.
- For 2017/18, the Cabinet's budget proposals set out a Council Tax requirement of **£7.229m** (total net revenue budget of **£13.696m**) and a General Fund capital programme totalling **£2.730m**.
- The overall revenue budget reflects a Band D Council Tax increase for this Council's services in 2017/18 of **£5** (3.28%).
- The budget recommended by Cabinet for approval by Council includes only the District and Parish elements of the Council Tax rather than those from the major precepting authorities. The formal approval of the 'full' Council Tax levy for the year, including the precepts from Essex County Council, Police and Crime Commissioner and Fire Authority, is delegated to the Council Tax Committee which is due to meet on the 22 February 2017.

RECOMMENDATION(S)

That having had regard to the Chief Finance Officer's (S151 Officer) report on the Robustness of Estimates and Adequacy of Reserves in accordance with the requirements under Section 25 of the Local Government Act 2003, and having taken account of the responses to the budget consultation process the Council approves the budget proposals (based on a £5 Band D council tax increase for district services) and agrees:

- i) That the total General Fund net revenue budget for 2017/18 be set at £13.696m and revised net budget for 2016/17 of £14.048m (a council tax requirement of £7.229m and £6.855m respectively excluding parish precepts).
- ii) That the General Fund capital programme be approved totalling £2.730m in 2017/18.
- iii) That the detailed General Fund budgets be as per the Cabinet's

budget proposals of 20 January 2017 as set out in Appendix B.

- iv) **The calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix D.**
- v) **The Council Tax for District and Parish/Town Councils' services as at Appendix G and that these are the amounts to be taken into account for the year in respect of the categories of dwellings listed in different valuation bands.**
- vi) **That subject to the above, if budget adjustments are required following the late notification of external / grant funding, then in consultation with the Finance, Revenues and Benefits Portfolio Holder, budgets are adjusted accordingly with no net impact on the overall budget or capital programme set out above.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

This report will have direct implications on the Council's ability to deliver on its key objectives and priorities and in particular on the speed with which the Council can deliver its priorities, rather than the priorities themselves.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are clearly risks associated with the financial forecast. The actions to achieve a fully funded budget, including limiting budgets to previous years prices where applicable and restricting cost pressures, give rise to the potential for items that have not been funded to emerge or for increases in income not to materialise in reality. This is particularly so given the current economic climate, the reductions in the availability of public sector funding, the Government's programme of change for Councils' services and the impact on the Council's core funding streams.

In view of the above, it is important that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified within the financial forecast. An uncommitted reserve of approximately **£4.000m** (including the **£1.600m** minimum working balance) has been approved previously and remains in place as part of the detailed estimates for 2017/18.

The Council also maintains a NDR Resilience Reserve and Benefits Reserve of **£1.459m** and **£1.100m** respectively to act as a 'buffer' if associated risks arise during the year.

Although impact assessments will be undertaken for significant savings strands as they are developed over the coming months, it is important to highlight that no specific risk assessment on the deliverability of the savings proposed in the budget have been

completed to date. Given the significant budget 'gap' that remains, it is important that the savings identified are delivered, which include the decommissioning of assets, which must be undertaken in such a way as to ensure all financial liabilities are ceased including business rates. If any savings included in the budget are not delivered there will be an increased call on reserves which will require additional on-going savings to be identified in 2018/19 and beyond.

However it must be acknowledged that Members are faced with some difficult and challenging decisions to secure the savings required in 2018/19 and beyond. This risk has been highlighted in the Council's Corporate Risk Register as any delay in delivering the required savings will require one-off contributions from reserves or other one-off amounts to balance the budget. Such an approach, if continued over a longer period of time, would be against the advice of the Council's Auditors who raised the use of reserves in such a way (along with the level of council tax) as key issues that the Council must continue to remain alert to.

LEGAL

The current arrangements for setting and agreeing a budget and for the setting and collection of Council Tax are defined in the Local Government Finance Act 1992. The existing legislation defining the arrangements for charging, collecting and pooling of Business Rates is contained within the Local Government Finance Act 1988. These were both amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for the calculation of the Council Tax base following implementation of the Local Council Tax Support Scheme. These arrangements resulted in a lower tax base for the District Council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation around the right of veto for residents on excessive Council Tax increases.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a **contrary resolution**).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

These implications have no impact on the budget itself. However, they are taken account of in the delivery of individual services and projects.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

PART 3 – SUPPORTING INFORMATION

2017/18 BUDGET PROPOSALS

On 20 January 2017 the Cabinet considered the following report:-

A.2 FINAL GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME 2017/18

Cabinet resolved (minute 148 refers):

1. *If the financial position changes prior to Council considering the budget on 7 February 2017, the Corporate Director (Corporate Services), in consultation with the Interim Portfolio Holder for Finance, Revenues and Benefits, be authorised to adjust the budget, including the use of Reserves;*
2. *in consultation with the Leader of the Council and the Interim Portfolio Holder for Finance, Revenues and Benefits, the Corporate Director (Corporate Services) reports directly to Council in respect of the formal draft resolutions necessary to implement the Cabinet's budget proposals, along with any late information or notifications received from the Department for Communities and Local Government etc. as may necessarily affect the budget;*
3. *the Corporate Management Committee be thanked for the work it has undertaken and continues to take in supporting the development of the budget and that the comments of the Interim Portfolio Holder for Finance, Revenues and Benefits, in response to those of the Committee, as set out in the report, be agreed;*
4. *in respect of the proposals for the Career Track Service to seek to become a registered apprenticeship training provider:*
 - (i) delegation be given to the Corporate Director (Corporate Services) to undertake the necessary activities to implement the revised delivery model;*
 - (ii) delegation be given to the Head of Finance, Revenues and Benefits Services to undertake the necessary budget adjustments within the overall approved net budget to reflect the revised delivery model;*
5. *in respect of the proposals to bring the maintenance of Public Conveniences in-house:*
 - (i) delegation be given to the Corporate Director (Operational Services) to undertake the necessary activities to facilitate and implement the in-house*

delivery model;

(ii) delegation be given to the Head of Finance, Revenues and Benefits Services to undertake the necessary budget adjustments within the overall approved net budget to reflect the in-house solution; and

6. *in respect of supporting the delivery of Council priorities, the budget be amended to reflect the setting aside of amounts from one-off budgets as set out in Table 3 of the report.*

*That, subject to the above, Cabinet **RECOMMENDED** to **COUNCIL** that:*

(a) following the consideration of the comments from the Corporate Management Committee and the responses from the budget consultation activities undertaken, the following final budget proposals be made (based on a £5 increase in a Band D Council Tax for district services):

i) that the detailed budgets, as per Appendix A to the report, be approved, which provides for a Council Tax Requirement for 2017/2018 of £7.229m (£6.855m for 2016/2017) (excluding parish precepts);

ii) that the Council agrees and formally approves:

a) the specific recommendations, calculations and other matters in respect of the Council's requirements – Appendix C to the report; and

b) the Council Tax for this Council's services – Appendix F to the report.

CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 20 JANUARY 2017

There have been no changes made to the budget that was considered by Cabinet on 20 January 2017.

At the time this report was printed, the final grant settlement from the Government had yet to be received. Historically the final figure has not been significantly different to the draft figures and given that they now form part of a 4 year funding settlement they are not expected to change. However if the final settlement differs to the amount currently included, then it is proposed to adjust the budget but with no overall impact on the Council Tax Requirement of **£7.229m** or net budget of **£13.696m**.

At this stage in the budget setting process it is acknowledged that the Council may still receive notification of amended / additional specific grants from the Government or other funding bodies. A recommendation is set out above that provides a delegation to include such amounts in the budget as necessary.

GENERAL FUND BUDGET SUMMARIES

The revenue budget and capital programme are summarised below. In respect of the revenue budget, this is based on a Band D Council Tax increase of £5 (3.28%) for this Council's services in 2017/18.

Table 1 – General Fund Revenue Budget - 2016/17 Revised and 2017/18 Original

	2016/17 Original £m	2016/17 Revised* £m	2017/18 Original £m
Net Cost of Services	15.054	24.573	16.086
Revenue support for capital investment	0.400	3.617	1.940
Financing items	(0.779)	(1.988)	0.534
Net Expenditure	14.675	26.202	18.560
Net Use of Earmarked Reserves	(0.677)	(12.154)	(4.864)
Total Net Budget	13.998	14.048	13.696
Business Rates (<i>excl. S31 Govt. Grant funding</i>)	(4.599)	(4.649)	(4.599)
Revenue Support Grant	(2.564)	(2.564)	(1.650)
Collection Fund (Surplus) / Deficit	0.020	0.020	(0.218)
Council Tax Requirement (for Tendring District Council)	6.855	6.855	7.229
Parish Precepts	1.439	1.439	1.600
Council Tax Requirement (as per Requisite Calculations)	8.294	8.294	8.829

*The increase between the original budget 2016/17 and the revised budget 2016/17 is primarily due to carryforwards from 2015/16.

Table 2 – General Fund Capital Programme - 2016/17 Revised and 2017/18 Original

	2016/17 Original Budget £m	2016/17 Revised Budget £m	2017/18 Original Budget £m
EXPENDITURE	11.458	13.254	2.730
FINANCING			
External Contributions	0.116	0.241	0
S106	0.036	0.074	0
Government Grants	7.630	7.630	0.690
Capital Receipts	1.692	1.692	0.100
Direct Revenue Contributions	0.400	2.050	0.360
Earmarked Reserves	1.584	1.567	1.580
Total Financing	11.458	13.254	2.730

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

The report *Final General Fund Revenue Budget and Capital Programme 2017/18* considered by Cabinet on 20 January 2017 set out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves as required by section 25 of the Local Government Act 2003. The relevant extract from the report is attached at **Appendix A**. Taking into account all the relevant issues the estimates can be considered as robust and are supported by adequate reserves.

Also within that report a look ahead to the Council's forecasted financial position from 2018/19 onwards was highlighted, which provides the background to the budget setting process for 2017/18, that is worth briefly revisiting as part of this report as follows:

Although a more detailed and comprehensive forecast will be undertaken to inform the 2018/19 budget process as we go into 2017/18, the anticipated savings required in 2018/19 and 2019/20 are £1.900m and £1.500m respectively. The final forecast will inevitably change, however the scale of the challenge will not and therefore this initial / updated position provides a robust context against which to consider the 2017/18 budget proposals.

There are clearly huge risks with the forecast above, such as the evolution of how local authorities are funded, new burdens that may be placed on local authorities along with underlying risks such as changes in income, emerging cost pressures and new or changing legislation etc.

As mentioned throughout the 2017/18 budget cycle, all Members have a key role to play in supporting the Council in delivering a balanced budget each year and wherever possible protect front-line services, a balance that will be difficult to maintain going into 2018/19.

Work remains on-going to explore opportunities for further net savings, with the outcomes reported to members as early as possible in the year to ensure that a balanced budget for 2018/19 can be agreed by Cabinet in January 2018 for recommending onto Full Council in February 2018.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in accountancy

APPENDICES

Appendix A	Extract from Cabinet report 20 January 2017 setting out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves
Appendix B	Budget Book 2017/18 including detailed estimates, fees and charges, capital programme and reserves
Appendix C	Special Expenses 2017/18
Appendix D	Required Budget Calculations 2017/18
Appendix E	Calculation of District and Parish / Town Council Taxes for All

Areas 2017/18

Appendix F

Precepts on the Collection Fund 2017/18

Appendix G

**District and Parish/Town Council Tax Amounts 2017/18.
(excludes Council Tax amounts for County, Fire and Police
services 2017/18 which will form part of the final Council Tax
setting process via the Council Tax Committee)**

Appendix H

**Calculation of Estimated Surplus on the Collection Fund for
2017/18**

Extract from Cabinet Report 20 January 2017

Robustness of Estimates and Adequacy of Reserves – Report under Section 25 of the Local Government Act 2003.

As part of the requirements set out in legislation, the Chief Finance Officer (S151 Officer) must report to Council as part of the budget process on the following two matters:

Robustness of the Estimates

The budget estimates for 2017/18 have been prepared within the framework of a risk based process. Clear rationale has been stated surrounding the formulation of the 2017/18 budget which is supported by a robust reserves position. This position has been supported by a programme of actions, including Portfolio Working Parties, which have contributed to delivering a sustainable financial position. A fundamental review of reserves undertaken in 2014 identified that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the budget setting process, which has been revisited as part of this year's annual budget cycle. No significant changes have been made in 2017/18 that changes this underlying principle. A specific statement on reserves is set out further on in this section of the report.

The budget process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. Budgets also aim to reflect the outturn position from the previous year and the Council's budget process identifies cost pressures which also allow it to remain alert to potential changes to its financial position.

Clear actions in respect of financial resilience continue to form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that may have a financial consequence. Where the Council makes significant financial commitments, such as regeneration projects, money is found from within existing budgets and set aside accordingly rather than relying on projected savings or future forecasts.

It is recognised that cost pressures will emerge over and above those included within the 2017/18 budget. The list of emerging cost pressures will remain under on-going review so a 'live' schedule is maintained with a view to prioritise them and explore opportunities to fund them outside of the annual budget setting process where possible.

The Council has also engaged in a programme of bringing services back in-house where advantageous to the Council, which has already generated savings for the Council. This work remains on-going with at least one further contract being planned on being brought back in-house over the coming months.

The Council's External Auditor confirmed in its most recent Annual Audit Letter that key assumptions underpinning the budget have been identified and they also acknowledged the setting in place of the programme to identify the required savings and that to date the Council has responded well to the financial challenges it faces.

Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term. It is important to highlight that the Council continues to aim to find savings from within its underlying revenue budget rather than rely on potentially time limited income such as from the New Homes Bonus to balance the budget.

The need to continue with a planned budget reduction programme is clearly recognised and remains the key focus for the Council to enable it to continue to provide quality services and associated investment at a time of reducing budgets. Self-sufficiency underpins the Council's medium term financial planning process. Maximising opportunities through investment continues to form a key element of the Council's approach going into 2017/18 and beyond.

The Council is also playing a key role in a number of activities such as engaging with cross authority working and maximising commercial opportunities wherever possible, all of which are important elements in supporting the Council's longer term financial strength. Significant transformation activities including office rationalisation and channel shift projects are now underway within the Council to support the overall financial position going forward.

In respect of the 2017/18 budget, work has been undertaken in association with departments to produce detailed budgets that are to a large extent effectively cash limited to previous year's spending levels. Inflationary pressures have been separately considered with budgets adjusted to take account of such pressures where significant.

A number of savings identified enable the Council to accommodate a number of cost pressures within its base budget and it is recognised that investment and regeneration can support future cost pressures such as those associated with the seafront economy and the business planning approach taken within services such as Leisure and Careline.

The Council remains alert to the risks associated with the highly complex area of the budget introduced via the local retention of business rates. A separate NDR Resilience Reserve has been established to support the Council through periods where income may be volatile, which provides the Council with a longer recovery period through a self-sufficiency approach.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a continuing and challenging economic climate resulting in on-going reviews of significant budgets.

Within the Financial Strategy framework there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Corporate Management Committee.

Regular and comprehensive monitoring of the budget will be undertaken during 2017/18 as part of the well-established and comprehensive Corporate Budget Monitoring process so issues can be identified and action taken at the earliest opportunity if and when appropriate.

Similarly to last year, the 2017/18 budget is supported by one-off funding as part of a 2 year budget cycle which uses a favourable financial position when taking 2016/17 and 2017/18 together. The figure included in the estimates is challenging but manageable in terms of the future budget 'gap' and this issue will be incorporated into the work to identify on-going savings that Cabinet are either already working on or will be undertaking as early as possible after the 2017/18 budget has been agreed.

The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves with further details below.

Adequacy of the Reserves

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term.

The level of uncommitted reserves forecast at 31 March 2018 is **£4.000m** including the minimum working balance of **£1.600m**. All of the reserves are regarded as adequate and recognise significant risks such as from future welfare changes and potential business rates volatility.

A Building for the Future Reserve was established to support spend to save initiatives with the rate of return on any investment being a key consideration when any proposal is considered to be funded from this reserve. Recent investment decisions provide for a rate of return in excess of 7%, and along with other future initiatives, this approach will provide the Council with additional income or budget reductions that will play a key role in delivering a sustainable and balanced budget in future years.

As part its review of the Council's financial resilience, the Council's External Auditor highlighted that even if no savings plans materialise, the Council has sufficient reserves to meet its forecast budget gap for the period up to and including 2019/20. However, although this highlights a 'snap shot' of relative financial robustness, it is recognised that this is not a sustainable position in the long term and the Council must continue the momentum of identifying further savings to deliver a self-financing position by the end of 2019/20. It must be highlighted that any use of reserves to support the underlying budget 'gap' reduces the money available for spend to save initiatives and therefore a careful balance must be struck when utilising the Council's one-off reserves.