

10 February 2016		ITEM: 11 (Decision 01104346)
Cabinet		
2016/17 General Fund Revenue and Capital Budget Report		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor John Kent, Leader of the Council		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

There have been a number of reports considered by Cabinet throughout the municipal year on the relevant financial positions for 2015/16, 2016/17 and the medium term.

This report provides an update on the latest position for 2015/16, summarises the main changes to the base budget to balance 2016/17 including Council Tax and service specific recommendations and updates the MTFS for the period 2017/18 through to 2019/20.

The report follows the direction that the government set out in the Comprehensive Spending Review in November 2015 – that of the need for councils to become financially self-sustainable and the importance of annual Council Tax increases to achieve that objective.

The report also sets out the proposals for the Capital Programme for 2016/17.

1. Recommendation(s):

- 1.1 That, following the decision of Corporate Overview and Scrutiny Committee, Cabinet recommend to Council a 2% Council Tax increase in respect of Adult Social Care;**
- 1.2 That, following the decision of Corporate Overview and Scrutiny Committee, Cabinet recommend to Council a 1.99% Council Tax increase in support of the general budget;**
- 1.3 That Cabinet note the inclusion of £190k in the 2016/17 base budget towards maintaining Bus Subsidies;**

- 1.4 That Cabinet note the inclusion of £50k in the 2016/17 base budget to provide support to the borough in managing the implications of, and responding to, the Lower Thames Crossing proposal;**
- 1.5 That Cabinet agree to the savings proposals to Adult Social Care as set out in Appendix 3;**
- 1.6 That Cabinet recommend to Council that delegation be granted to the Director of Finance and IT, in consultation with the Chief Executive and Leader of the Council, the authority to make the relevant submissions to government to secure the four year settlement and freedom to use capital receipts for transformation purposes if considered to be in the Council's best interest;**
- 1.7 That Cabinet recommend to Council the proposed additions to the Capital Programme set out in Appendix 4; and**
- 1.8 That Cabinet recommend to Council the delegations regarding additions to the Capital programme as set out in section 11;**

2 Shaping the Council

- 2.1 At their meeting on 13 January 2016, the Cabinet received an update on the Comprehensive Spending Review (CSR) and grant announcements. At the time of writing this report, the Council is still waiting for final grant figures and has received no indication on the grant available for either the Better Care Fund or Public Health.
- 2.2 Key messages from the CSR were as follows:
 - a) Confirmation that the Revenue Support Grant (RSG) will be abolished over the life of this parliament through a continuation of year on year reductions, in addition to the £29m lost between 2010/11 and 2015/16;
 - b) That, as a result of the abolition of RSG, Council's will be reliant on raising necessary funding locally through Council Tax, Business Rates and other Income Generation;
 - c) That Business Rates collected in any one area will still be subject to tariffs and top ups – in other words, for Thurrock Council, the Council will still have to pay a significant proportion of the Business Rates it collects to central government for redistribution. (Thurrock Council currently retains approximately 30% of what it collects); and
 - d) That, as a result of more Business Rates being available to councils nationally, there will be added obligations for councils to meet. These new duties have not yet been announced and will be subject to consultation over the coming months but it is likely that any increased funding will be absorbed by these new requirements.

2.3 Simply, the cost of paying for the majority of the services that the Council is responsible for will have to be met from income raised directly: Council Tax; Business Rates, and; fees, charges and recharges. It is in this context that this report makes its recommendations on increases to Council Tax for just the second time since 2010 as a direct response to the government direction in the Autumn Statement.

3 2015/16

3.1 Previous reports have set out to Cabinet significant over spends in Children's Services (gross pressures of £4m).

3.2 The most recent analysis has identified that these pressures are increasing for three main reasons:

- a) Unaccompanied Asylum Seekers (UASC), including recognising assumed levels of reimbursement from government for the 2014/15 financial year;
- b) The cost of placements; and
- c) The cost of interim staff over and above establishment to meet acceptable social worker to child ratios.

3.3 Officers are currently finalising these projections whilst seeking other mitigation. A detailed report on the 2015/16 financial position will be presented to Cabinet in March 2016.

4 Council Tax Proposals

4.1 The Autumn Statement confirmed that there would no longer be a freeze grant offered to councils. As the Medium Term Financial Strategy (MTFS) had assumed a grant would be available, the Council's financial position for 2016/17 is increased by £600k.

4.2 Other national changes have also increased liabilities on the Council through the Minimum Wage (£1.5m on Adult Social Care contract) and the National Insurance and Apprentice Levy changes (£0.5m).

4.3 The government's spending power calculation for all councils with adult social care responsibility assumes increases of 2.00% per annum over the life of the settlement to offer a form of protection to adult social care budgets.

4.4 The government's spending power calculation included a further increase of 1.75% per annum in line with the average Consumer Price Index (CPI) over the next four years.

4.5 These published increases are a reversal of previous policy where a Council Tax freeze was recommended.

- 4.6 When considering Council Tax increases, Members should consider Thurrock Council's position nationally in terms of the funding available to it to provide the wide range of services, including the need to manage increases in demand for both Children's and Adults' Social Care.
- 4.7 Out of all 55 Unitary Authorities, Thurrock Council has the third lowest Council Tax Band D and:
- Is only able to raise the third lowest amount of Council Tax;
 - Receives the third lowest level of Revenue Support Grant (RSG);
 - Has the third lowest net budget; and
 - Has the fifth lowest net budget per head of population.
- 4.8 This clearly demonstrates that the Council has one of the lowest levels of expenditure for services in the country.
- 4.9 Due to the loss of assumed freeze grant and the Council's low budget base as set out in paragraph 4.7, **a 3.99% increase is recommended** that will raise some £2.2m in 2016/17 and make some headway towards the more difficult task of balancing 2017/18 and beyond. For Thurrock Council, a referendum will be triggered where Council Tax is increased by 4% or more above the authority's relevant basic amount of Council Tax for 2015/16.
- 4.10 A 3.99% increase in Council Tax equates to £44.82 for a Band D property in Thurrock. Some 70% of properties in Thurrock are Bands A-C where the increase ranges from £29.88 - £39.84 per year or £0.57 - £0.77 per week. The table below sets out the impact on the various bands for Thurrock households:

Band	2015/16	Increase	2016/17	Weekly
A	749.76	29.88	779.64	0.57
B	874.72	34.86	909.58	0.67
C	999.68	39.84	1,039.52	0.77
D	1,124.64	44.82	1,169.46	0.86
E	1,374.56	54.78	1,429.34	1.05
F	1,624.48	64.74	1,689.22	1.25
G	1,874.40	74.70	1,949.10	1.44
H	2,249.28	89.64	2,338.92	1.72

- 4.11 In a survey carried out amongst Municipal and Unitary Treasurers in early January 2016, there were two specific questions and these are set out below along with the responses:
- Is your Council minded to increase Council Tax by 2% for Adult Social Care?

Yes	76.19%
No	1.59%
Undecided	22.22%

- b) In addition, is your Council minded to increase the general Council Tax element?

No Increase	6.82%
0.00 – 0.99%	4.55%
1.00 – 1.49%	0.00%
1.50 – 2.00%	70.45%
Undecided	18.18%

4.12 This survey demonstrates a strong approach nationally that reflects the recommendations being put forward for the 2016/17 budget.

4.13 Corporate Overview and Scrutiny Committee hold the responsibility for reviewing the general aspects of the budget. As such, Cabinet asked the committee to discuss the proposed Council Tax increases at their meeting on 2 February 2016:

- a) The committee recognised the direction of travel towards financial self-sustainability and acknowledged that raising the necessary finance was now the Council's responsibility with the phasing out of the Revenue Support Grant; and
- b) There was some discussion as to whether the increase should be limited to 3.75% but, on hearing that this only saved Bands A-C 3-5 pence a week but would cost the Council £137,500, the committee unanimously recommended a 3.99% increase.

5 Changes to the 2016/17 Budget

5.1 Recent years have seen a number of consultations across all services that have proposed a wide range of service reductions and increases to fees and charges.

5.2 Whilst there are no further budget reductions to front line services, the proposed budget includes delivery of previously agreed savings from the 2015/16 budget setting process of £3.391m and the risk to delivery and impact of these proposals cannot be under estimated. Included within these targets were options from Adults' Services that required public consultation.

The outcome and recommendations are set out in Appendix 3 and Cabinet are recommended to agree these.

- 5.3 The report considered by Cabinet on 13 January presented the basis for a balanced budget for 2016/17 and included a provision of £0.6m to support the Council in achieving financial self-sustainability. This budget would be used on projects covering, for example:
- a) Increased income through both existing charges and securing additional income streams;
 - b) Continuing the work on rationalising the Council's assets to reduce costs and maximise income potential;
 - c) Driving efficiencies through better ways of working;
 - d) Financing spend to save initiatives;
 - e) Investigating and implementing new Delivery Models; and
 - f) Financing organisational change where necessary.
- 5.4 This provision has since been reduced to £0.365m due to the following two additional budget requirements:
- a) A reversal of the planned reduction of £0.190m to the bus subsidies budget, as agreed by Council in February 2015; and
 - b) The setting up of a budget of £50k per annum to provide support to the borough in managing the implications of, and responding to, the Lower Thames Crossing proposal .
- 5.5 The table at Appendix 1 sets out the key changes that bridge the gap of £9.966m as reported to Council in February 2015.
- 5.6 It is clear from the table that, if the Council is to balance the budget for 2016/17 without having to make further reductions to services, the Council Tax increases as recommended at 1.1 and 1.2 of this report are essential.
- 5.7 If a 3.99% Council Tax increase is not supported, options will need to be available for Council to set a balanced budget. Options are likely to be:
- a) The removal of the re-instated budget for bus subsidies as this is a previously agreed saving and is not yet contractually committed;
 - b) A reduction to the growth provision for Children's and Adults' social care pressures;
 - c) The removal of the budget for the transformational change required to achieve financial self-sustainability; and

- d) Reductions in the Environment Service where levels of activity are more easily flexed albeit with a visible impact for residents across the borough.

Other Comprehensive Spending Review (CSR) Considerations

- 5.8 There are two specific areas that need further consideration from the CSR:
- a) Four Year Settlement – the provisional settlement issued by the government on 17 December 2015 included forecasts through to 2019/20. Local authorities are invited to ‘sign up’ to these figures through an efficiency plan to be lodged with the Department for Communities and Local Government (DCLG). However, the message was clear that these could be amended should the government believe that there is a need to and so they would only remain indicative; and
 - b) Capital Receipts – through setting out a transformation plan, Council’s would be able to use capital receipts to pay for revenue transformation programmes and activities.
- 5.9 In both cases, the government is yet to issue guidance and even clarity on what exactly these two proposals mean. As such, it is recommended to delegate the final decision and submissions to the Director of Finance and IT in consultation with the Chief Executive and Leader of the Council.

6 Medium Term Financial Strategy (MTFS)

- 6.1 The MTFS covering the period 2017/18 through to 2019/20 is attached at Appendix 4 which includes the assumption that there will be a 3.99% Council Tax for each of the following years. This is in line with the government’s spending power assumptions.
- 6.2 Even with the proposed Council Tax increases, the deficit of £18.5m is still very challenging. Any reduction to the proposed Council Tax increase in future years will increase the deficit and impact the following financial years.
- 6.3 The budget proposal for 2016/17 includes a provision of £365k to help meet the challenge of the future financial pressures. Broadly, activity will include but not be limited to:
- a) Income generation;
 - b) Asset rationalisation;
 - c) Spend to Save initiatives; and
 - d) Service and related employment reductions.

7 Section 25 Statement

- 7.1 When setting the Council Tax and budget, the Council has a statutory obligation to consider the Responsible Financial Officer's (S151's) Section 25 Statement. This statement sets out the robustness of the budget set but also whether the S151 Officer has confidence in the future financial position of the Council.
- 7.2 When making this judgement, the S151 Officer will consider the Council's position on Council Tax, the ability to make cost saving decisions and the robustness of plans for the future.
- 7.3 The decision of Corporate Overview and Scrutiny Committee to recommend both the 2% and 1.99% Council Tax increases will inform this judgement.

8 Proposed Additions to the Capital Programme

- 8.1 The majority of the Council's capital programme is funded from grants in terms of both schools and highways and from rents and grants for the Housing Revenue Account.
- 8.2 For the remainder of the General Fund or, indeed, to supplement the above, the following sources are available:
- a) Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings. Members will be aware that the Council reviews its asset base and there is a programme of disposals being progressed;
 - b) Grants and Contributions – these could be ad hoc grants awarded from government or other funding agencies or contributions from developers and others;
 - c) Prudential Borrowing – the Council is able to increase its borrowing to finance schemes as long as they are considered affordable. The MTFs assumes repayments on £3m of borrowing per annum; and
 - d) Revenue – this approach is not recommended as it has an immediate and costly impact on the General Fund.
- 8.3 Attached at Appendix 5 are the schemes that are being proposed for the Cabinet's consideration. They have been considered against the following criteria:
- a) Whether they are categorised under Health and Safety, Statutory, Invest to Save or desirable; and
 - b) Through a scoring process against the Council's priorities.
- 8.4 Officers do recognise that these are all schemes that are unavoidable in the short term and that a more ambitious capital programme needs to be

developed to support growth throughout the borough. In addition, the Council must be able to transform itself into a more modern authority that also reflects the changes that are inevitable to achieve financial self-sustainability.

- 8.5 These schemes could include a new theatre, town centre regeneration, support to businesses, further development at High House Production Park, etc. Schemes to also support revenue generating opportunities will also be developed.

9 Capital Programme Overview

- 9.1 Operational Buildings – these schemes have been proposed at a level to ensure that the buildings remain operational and fit for purpose for the short term. These proposals provide funding for various schemes but will only be spent where absolutely necessary. Funding is also requested for Collins House to carry out essential works as well as to fund a feasibility study into whether the building would be best served through a major refurbishment or replacement.
- 9.2 Environment – there are proposals for essential service items such as replacement household bins, vehicles and plant. There are also other schemes for maintaining/enhancing open spaces and for efficiency improvements. Although not included within these proposals, Members should be aware that officers are working on the re-tendering of the waste contracts. The current fleet is approaching the end of its life and consideration will be given during the tender process for replacement vehicles.
- 9.3 IT – now that the service has been brought back in-house, a comprehensive programme is being developed to improve stability, both for normal operational purposes but also for Business Continuity and Disaster Recovery purposes. Bids also include works to major applications, such as Oracle, that will improve efficiency throughout the workforce to compliment the staffing reductions.
- 9.4 Community Environmental Development Fund (CEDF) – Cabinet agreed to propose a new fund, the CEDF. This is for communities to bid against criteria being developed for capital enhancements to their areas. A fund of £250k is proposed.

10 Other Recommendations

- 10.1 There are three areas where the Council has previously given Cabinet delegation to approve additional schemes and this is being recommended again for 2016/17:
- a) Additional Funding – throughout the year, the Council quite often receives additional funding through, for instance, government grants and developers' contributions;

- b) Invest to Save – these schemes could only be approved where the reduction in ongoing expenditure or increased income exceeds the cost of repaying the prudential borrowing required for the scheme; and
- c) Gloriana – Members will be aware that there are a number of governance gateways before approval for a scheme is considered by Cabinet. These gateways include discussion within a governance group consisting of the three group leaders, the Chief Executive and the Director of Finance and IT.

10.2 The delegation requested is that any approval is deemed to be part of the capital programme and that the necessary prudential indicators set out in the Treasury Management Strategy are amended accordingly.

10.3 This approach means that estimated amounts for schemes that may or may not take place are not included in the programme, removing the need for speculative provisions.

11 Key Points from Corporate Overview and Scrutiny Committee (Capital)

11.1 Corporate Overview and Scrutiny Committee considered the capital proposals at their meeting on 2 February 2016.

- a) The committee agreed the proposals but recognised that these were all of operational necessity and did not yet reflect the aspirations of the Council. The committee supported the need for a more aspirational programme for the future to be brought back in due course; and
- b) The committee debated the three areas of delegation to Cabinet and, for 2016/17, have supported these. There was discussion about how these delegations could be capped to ensure that Council was still involved in the more financially significant projects but agreed this should be developed over the coming months as a consideration for future years.

12 Issues, Options and Analysis of Options

12.1 The issues and options are set out in the body of this report in the context of the latest MTFS and informed by discussions with the Leader of the Council, Group Leaders and Directors' Board.

13 Reasons for Recommendation

13.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2015/16 and 2016/17 along with actions to mitigate these pressures and create a budget to implement changes required to reshape the Council.

14 Consultation (including Overview and Scrutiny, if applicable)

- 14.1 This report has been developed in consultation with the Leader, Portfolio Holders and Directors Board. In addition, Corporate Overview and Scrutiny Committee considered the report on 2 February with their comments set out above. Group Leaders and Deputy Leaders have been involved throughout the budget planning process through the Budget Review Panel. The Director of Finance and IT will have attended each political group meeting by mid-February providing a briefing on the overall financial position.
- 14.2 Budget consultation sessions were held separately with the voluntary sector, Community Forum Chairs and the Business Board in January 2016. This provided an opportunity to set out the Council's overall budget position and consider together areas where further collaboration could be explored in future such as alternative service delivery models.

15 Impact on corporate policies, priorities, performance and community impact

- 15.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.
- 15.2 The scale of future budget reductions as set out in this report are such that work is underway to develop a transformational approach to tackling this challenge in future years.

16 Implications

16.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

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

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports will continue to come to Cabinet and be considered by the Directors Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Austerity measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

This report does not just set out the actions required to set the budget for 2016/17 but provides a financial framework to facilitate change going forward.

16.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Governance - Deputy Monitoring Officer

There are no direct legal implications arising from this report.

There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act 1988 (Section 114) prescribes that the responsible financial officer "must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority". This includes an unbalanced budget.

16.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

There are no specific diversity and equalities implications as part of this report. A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

16.4 Other implications (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

17 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Budget working papers held in Corporate Finance
- Budget Review Panel papers held in Strategy and Communications

18 Appendices to the report

- Appendix 1 – Summary of MTFS Movements
- Appendix 2 – Previously Agreed Savings
- Appendix 3 – Adult Social Care Recommended Savings
- Appendix 4 – Medium Term Financial Strategy
- Appendix 5 – Proposed Additions to the Capital Programme

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