22 February 2017	ITEM: 12
Council	
General Fund Budget Proposals	
Wards and communities affected: All	**Key Decision:** Yes
Report of: Councillor Rob Gledhill, Leader of the Council	
Accountable Head of Service: Sean Clark, Director of Finance and IT	
Accountable Director: Sean Clark, Director of Finance and IT	
This report is public	

Executive Summary

This report sets out the draft budget proposals for a balanced budget for the financial year 2017/18.

This paper has been produced based on the principles established via the Council Spending Review (CSR) process, which has been in place since June 2016. The ambition is to create a budget which works for all Thurrock residents; that builds financial resilience into the council's spending and borrowing abilities, and has a bottom-up approach to service review over the forthcoming three years.

The CSR approach moves the Council towards commercialism and greater efficiencies through four main streams: income generation; more or the same for less; reducing the MTFS growth through greater demand management; and a comprehensive service review programme over a three year time period of all council services.

The new Transformation Programme approach is managed through a number of Strategic Boards, all of which are overseen by the Transformation Board. The proposals for the 2017/18 budget have been considered by the relevant Overview and Scrutiny Committees over recent months where the main feedback has been around the practical deliverability of some and comments on the Adult Social Care precept. Both of these are commented on in the main body of the report.

The report presented to Cabinet on 11 January 2017 presented a proposed balanced budget for the financial year 2017/18. This report has subsequently been considered by Corporate Overview and Scrutiny at its meeting on 11 January 2017 and the committee's comments are included in the main body of the report where applicable. This report presents the final budget proposals agreed by Cabinet at their meeting on 8 February 2017.

This budget includes significant revenue investment in the frontline services of children's and adults' social care and mainstreams the Clean It, Cut It, Fill It initiative and this has been achieved through meeting the Cabinet's position of identifying a greater level of savings than previously forecast. In addition, the capital programme includes proposals that build on this investment whilst the future and aspirational proposals includes strategic and place making schemes supporting both the place making and commercial agendas.

1. Recommendation(s):

That the Council:

1.1 Considers and acknowledges the Section 151 Officer's (Director of Finance and IT's) 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, including the conditions upon which the following recommendations are made;

1.2 Following the considerations of Corporate Overview and Scrutiny and the Cabinet, agree to a 3% council tax increase in respect of Adult Social Care;

1.3 Following the considerations of Corporate Overview and Scrutiny and the Cabinet, agree to a 1.98% council tax increase in support of the general budget;

1.4 Approve the General Fund allocation to services as set out in paragraph 4.6;

1.5 Approve the Dedicated Schools Grant as set out in section 7 and Appendix 4;

1.6 Approve the new General Fund capital proposals, including the allocation for feasibility work on future and aspirational proposals, as set out in section 8 and Appendix 5;

1.7 Delegate to Cabinet the ability to agree schemes where it can be evidenced that there is a spend to save opportunity or that use any unbudgeted contributions from third parties, including those by way of grants or developers' contributions, and these be deemed as part of the capital programme.

Statutory Council Tax Resolution

(Members should note that these recommendations are a result of the previous recommendations above and can be agreed as written or as amended by any changes agreed to those above).

1.8 Calculate that the council tax requirement for the Council's own purposes for 2017/18 is £61,682,537 as set out in the table at paragraph 4.6 of this report.

1.9 That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Act:

(a) £381,756,591 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.

(b) £320,074,054 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £61,682,537 being the amount by which the aggregate at 1.9(a) above exceeds the aggregate at 1.9(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its council tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £1,226.61 being the amount at 1.9(c) above (Item R), all divided by Item T (Council Tax Base of 50,287), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (including Parish precepts).

(e) £0 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) £1,226.61 being the amount at (d) above less the result given by dividing the amount at (e) above by Item T, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates.

1.10 To note that the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below.

1.11 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts

shown in the tables below as the amounts of council tax for 2017/18 for each part of its area and for each of the categories of dwellings.

2017/18 COUNCIL TAX FOR THURROCK PURPOSES EXCLUDING ESSEX FIRE AUTHORITY AND ESSEX POLICE AUTHORITY

Amounts for the Valuation Bands for 2017/18							
A £	B £	C £	D £	E £	F £	G £	H £
817.74	954.03	1,090.32	1,226.61	1,499.19	1,771.77	2,044.35	2,453.22

1.12 That it be noted that for the year 2017/18 Essex Police Authority has stated the following amounts in precept issued to the Council for each of the categories of dwellings as follows:

Amounts for the Valuation Bands for 2017/18							
A £	B £	C £	D £	E £	F £	G £	H £
104.70	122.15	139.60	157.05	191.95	226.85	261.75	314.10

1.13 That it be noted that for the year 2017/18 Essex Fire Authority has stated the following amounts in precept issued to the Council for each of the categories of dwellings as follows (waiting on formal confirmation):

Amounts for the Valuation Bands for 2017/18							
A £	B £	C £	D £	E £	F £	G £	H £
46.02	53.69	61.36	69.03	84.37	99.71	115.05	138.06

2017/18 COUNCIL TAX (INCLUDING FIRE AND POLICE AUTHORITY PRECEPTS)

Amounts for the Valuation Bands for 2017/18							
A £	B £	C £	D £	E £	F £	G £	H £
968.46	1,129.87	1,291.28	1,452.69	1,775.51	2,098.33	2,421.15	2,905.38

2 Introduction and Background

The Process for Agreeing the Council's Budgets

2.1 The Council must, by law, set its annual revenue budget and associated council tax level by 11 March of the preceding financial year. If, for whatever reason, the Council cannot agree a budget and council tax level at its meeting on 22 February 2017, Members should be aware that the Council will not have a legal budget and this will impact on service delivery and cashflow with immediate effect whilst damaging the council's reputation and can, as a last resort, lead to intervention from the Secretary of State under powers given by section 15 of Local Government Act 1999.

2.2 The role of Council is to agree the level of council tax and hence the budget envelope for the council. The precise allocation of that envelope and expenditure falls to the Cabinet.

2.3 It is also good practice to approve the capital programme at the same time because there is an interdependency between the budget streams. Fees and Charges were approved by Cabinet on 8 February 2017.

2.4 The Housing Revenue Account (HRA) budget needs to be agreed in a timely manner to ensure that rent increases can be reflected from 1 April of each year. A separate report on this agenda deals with Housing Rents and Charges for 2017/18 although the HRA is referenced in the s25 statement at Appendix 1.

2.5 This report presents the proposed 2017/18 General Fund revenue and capital budgets, as per the recommendations of the Cabinet that have been formed through budget reports presented to the Overview and Scrutiny Committees and the Cabinet over recent months.

2.6 The Director of Finance and IT's 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. This must be considered by the Council before approving the budget and council tax.

Revenue

The 2016/17 Budget Position

2.7 Members have received reports throughout the year that have set out the ongoing pressures in Children's Services and the financial impact of the Clean It, Cut It, Fill It pilot. The reports have also set out the mitigation that has been taken to deliver a balanced budget position for the financial year 2016/17.

2.8 Work continues on finalising these projections and identifying further mitigation where required. The impact of the ongoing pressures has been built into the base budget for 2017/18, most noticeably the previously reported balance in Children's Social Care of £4.7m (plus a further £0.7m as set out in paragraph 4.5).

2.9 Cabinet agreed a 3 month pilot in 2016 of its Clean It, Cut It, Fill It initiative which completed at the end of October 2016 and, at its meeting on 14 December 2016, Cabinet agreed to extend the trial pilot until the end of that financial year. This proposed budget report includes a new allocation of £1m per annum to mainstream Clean It, Cut It, Fill It into future budget provision from 1 April 2017. It is through achieving more savings than the MTFS originally set out, that this was able to be facilitated and managed financially.

Financial Self Sustainability and Government Grants

2.10 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.

2.11 The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013, with the main changes being from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding.

2.12 Based on the proposals within this report, the following table demonstrates the direction of travel for the financing of local government:

	2010/11	2016/17	2017/18
Government Grant	50.7%	16.3%	11.2%
Business Rates		25.3%	27.1%
Council Tax	41.4%	44.9%	47.3%
Fees and Charges	7.1%	8.3%	8.5%
Investment Interest	0.8%	3.0%	4.0%
Rental Income		2.2%	1.9%
Total	**100.0%**	**100.0%**	**100.0%**

2.13 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.

2.14 The Adult Social Care precept is confirmed to continue, however the Government has now introduced a flexibility to the precept in that the maximum 6% increase allowed over the next three years (2017/18 to 2019/20) can be applied in any of the three years as long as the precept does not exceed an additional 3% in 2017/18 and 2018/19 and 2% in 2019/20.

2.15 The 2016/17 settlement introduced a minimum Revenue Support Grant (RSG) settlement for four 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. The DCLG has now confirmed acceptance of the Council's efficiency plan and therefore to its entitlement of a guaranteed minimum sum of RSG giving some certainty to Medium Term Financial Strategy (MTFS) forecasts.

2.16 The Council also receives a number of grants for specific purposes. In line with the overall direction of less government support, the reductions in these grants have been factored into the MTFS. However, the Public Health Grant is a continued area of review.

2.17 As part of the reforms contained within the Health and Social Care Act 2012, responsibility for commissioning certain public health functions moved from the NHS to Local Authorities. In 2013 a ring fenced Public Health Grant was provided to all top tier local authorities in order to commission mandated and discretionary Public Health services.

2.18 During 2015/16, the Chancellor announced in-year reductions to the grant of 6.2% amounting to an in-year reduction of £655k. A further reduction of up to 3.9% was announced in the 2015 Autumn Statement and this has increased the annual reduction to £924k in 2016/17. A further reduction of £286k has been announced for 2017/18.

3 Council Tax Proposals

3.1 The Localism Act 2011 introduced the concept of a referendum where a proposed council tax increase exceeds its excessiveness principles either by the billing authority (Thurrock Council) or one of its major preceptors. Simply, a referendum would be required if the Council resolved to increase council tax by a higher percentage than the government guidelines. This report does not propose increases that would call for a referendum.

3.2 As reported last year, Thurrock Council has the third lowest council tax and council tax income of the 55 Unitary Councils in the country and the lowest council tax in Essex. This low base means that, financially, Thurrock Council has less resource to deliver the same suite of services, irrespective of demographic need, and limits any increase through the Adult Social Care precept. A low base also means reduced flexibility in terms of having surplus funds to spend on capital projects and other initiatives, without having to rely on prudential borrowing where the need is identified.

3.3 The council has faced grant reductions since 2011 and these continue into 2017/18 with a reduction of £6m and further reductions planned over the medium term reinforcing the need to increase the council tax income. It is important to note that the Chancellor of the Exchequer's final Autumn Statement did not adversely affect the council's forecasted reductions any further, although it has also been made clear that the same rigour of economic stabilisation will be present in the immediate future.

3.4 There are two elements to the council tax that need to be considered:

- The general increase – this is capped at 2% and is only on the element of the council tax that does not include the ASC precept element. Due to rounding requirements, the maximum increase in 2017/18 equates to 1.98% and this is the recommendation contained within this report; and

- The Adult Social Care (ASC) Precept – this precept was announced in December 2015 and allowed councils to add an additional increase to the council tax of up to 2% per annum for the four financial years 2016/17 to 2019/20. The Council agreed a 2% ASC precept for 2016/17. In December 2016, the government announced a change to the remaining three years. Whilst 6% remains as an overall cap, councils now have the ability to charge up to 3% for each of the next two years, effectively bringing forward the ability to provide earlier funding for ASC to meet increasing demands on services and to protect the most vulnerable in the borough. This flexibility provides the council with three specific options:

- A 3% precept for each of the next two years and no increase in year three;

- A 3% precept in year one, 2% in year two and 1% in year three; or

- A 2% precept in each of the next three years.

3.5 There is an urgent need for immediate increases to the ASC budget to meet the increased costs of the minimum wage and demand pressures as the population continues to live longer with more complex needs. The National Living Wage increase that the council will have to meet represents an equivalent 12% over two years. The council has faced considerable challenges with the domiciliary care providers which is a national trend. There is an urgent need to try to stabilise this market to ensure that the council can provide high quality services to vulnerable adults.

3.6 Financial projections demonstrate that the impact of the third option above in 3.4 would provide additional funding of £19k over the three years compared to the first option. However, it is strongly advised that based on the immediate financial pressures that are being faced by the ASC service in the current financial year that a 3% increase in 2017/18 be agreed.

3.7 The Corporate Overview and Scrutiny Committee considered the three options on the ASC precept at its meeting on 18 January 2017. There was a clear consensus from the Committee to support a 3% increase in 2017/18 with a majority also supporting a 3% rise in year two as well, although no vote was taken on either part.

3.8 The combined increase on a Band D property equates to 4.89% or £57.15 (£1.10 per week). As 71% of Thurrock properties are Bands A-C, the weekly impact for most households will be no more than 98 pence per week but will raise an additional £2.9m in income:

Band	2016/17	2017/18	Increase £	
	£	£	Per Year	Per week
A	779.64	817.74	38.10	0.73
B	909.58	954.03	44.45	0.85
C	1,039.52	1,090.32	50.80	0.98
D	1,169.46	1,226.61	57.15	1.10
E	1,429.34	1,499.19	69.85	1.34
F	1,689.22	1,771.77	82.55	1.59
G	1,949.10	2,044.35	95.25	1.83
H	2,338.92	2,453.22	114.30	2.20

4 Proposed General Fund Revenue Budget 2017/18

4.1 In February 2016, the Council was presented with the Medium Term Financial Strategy (MTFS) that forecast a gross pressure of £10m in 2017/18. Cabinet considered a report on 7 September 2016 that amended the MTFS in light of changes to business rates and inflation assumptions, a net increase of £0.1m. A further £0.420m pressure was added to the MTFS pressures through the Cabinet reviewing and recommending a phased increase to the General Fund balance to £9.26m over the next three years based on a review of current risks.

4.2 The Transformation Programme approach has identified a series of proposals through the various Boards that were convened, each chaired by a member of the Directors' Board and consisting of officers from across all services. The savings proposals largely concentrate on services generating additional income and expenditure efficiencies through contracts, centralisation of property management and additional staffing costs such as agency numbers. Direct impact on frontline services is limited but the efficiencies above could have an effect if not properly managed, as could be expected.

4.3 These have been reported through the cross party Council Spending Review panel, the relevant Overview and Scrutiny Committees and the Cabinet.

4.4 Members should be aware that there is, however, £2.5m of savings previously agreed over a range of services to be delivered in 2017/18.

4.5 Headlines to the 2017/18 budget include investment in the following three areas:

- Environment – after the successful pilot of Clean It, Cut It, Fill It, £1m has been included within these budget proposals to build this into the base budget to continue this initiative on a permanent basis;

- Children's Social Care – Children's Social Care has seen considerable budget and service pressures in recent years and these have been regularly reported to both Cabinet and Children's Overview and Scrutiny Committee. The need to moving Children's Social Care to a financially stable service has been a key focus for the Council and some of the plans to move the service to a more financially resilient position over the next two years are set out below:

- Observing a Fewer Buildings, Better Services ethos; and

- Rebasing the budget with an additional £4.7m and a further increase of £0.7m in line with the advice from iMPOWER, the consultants that have been working with the service over recent months. The impact of this work will take time to have a full impact whilst early intervention measures take effect and the financial trajectory indicates increased resource for the next two financial years, though at a reduced level than previous years, before starting to see reductions in 2019/20.

- Adults' Social Care – A 3% ASC precept will realise circa £1.7m and the government has reallocated New Homes Bonus nationally to create a one off ASC Support Grant – Thurrock will receive £0.657m creating a budget injection of £2.4m in 2017/18.

4.6 When allocating the previously agreed efficiencies and the proposals set out through the Transformation Programme in recent months, the draft budget envelopes for services for 2017/18 are as follows:

	£'000
Adults, Housing and Health	34,513
Children's Services	32,629
Environment and Place	26,022
Finance & IT	9,644
Human Resources and Organisational Development	4,335
Strategy, Communications and Customer Services	3,427
Legal Services	2,228
Commercial Services	557
Central Expenses	4,401
Recharges	768
Specific Grants	(573)
Service Budget Total	117,951
Levies	566
Capital Financing	(5,378)
Net Expenditure	113,139
Financed by:	
Revenue Support Grant	(14,660)
NNDR	(34,481)
New Homes Bonus	(3,531)
Collection Fund Balances	1,215
To be funded through Council Tax	(61,682)

4.7 In addition, this budget delivers an increased General Fund Balance of £9.26m over the three year period.

4.8 Should any changes be made to these proposals that results in a budget that no longer balances, further savings will need to be identified Options are likely to be in the areas where growth is identified but not yet committed:

- Reduction to the £1m investment in the Environment; or

- Reductions to the growth allocations to Adults' and Children's social care.

5 Medium Term Financial Strategy (MTFS)

5.1 The MTFS covering the period 2018/19 through to 2020/21 is attached at Appendix 3 which includes the assumption that there will be a 4.99% council tax increase in 2018/19 and 1.99% for subsequent years.

5.2 Whilst this paper proposes a balanced budget, the MTFS shows a deficit of £9.258m of which £1.817m has been identified through the Transformation Programme approach reducing the deficit to £7.441m. Over the three year period, the gross forecast deficit is £20.182m that, after Transformation Programme proposals, reduces to £16.579m.

5.3 The above figures do not yet include any service review savings that will include both further income and increase expenditure efficiencies that will make significant headway into this forecast and support the council in becoming a financially independent local authority.

6 Reserves

6.1 The Council's total useable reserves, including "ear-marked" reserves, as at 1 April 2016 were £38.055m, a reduction of £15.103m over the year before. A number of these reserves are for capital, schools and the Housing Revenue Account (HRA). The estimated balance available for General Fund purposes as at 1 April 2017 is just the General Fund unearmarked balance of £8m. This balance is in line with the Council's optimum level of reserves as set out in the 2016/17 budget papers, not reflecting the potential increase recommended tonight which would be accounted for on future reports.

6.2 There is no set formula to determine this balance but it is for the Council's S151 Officer to consider the Council's past financial performance and risk to the budget over the future medium term and to then recommend a balance to the Council. It is, however, for the Council to set this balance considering that recommendation.

6.3 Cabinet received a report on 7 September 2016 that considered the General Fund balance. The Director of Finance and IT considered the increased pressures and demands on the council against a reducing budget envelope and determined that the balance should be increased to £9.26m. The recommendation is to achieve this revised balance over the life of the MTFS through annual contributions of £0.42m per annum. It is recommended that this be met through capitalising the Minimum Revenue Provision to that amount over each of the next three years to have no net effect on the General Fund budget.

7 Government Funding – Dedicated Schools Grant

7.1 The Dedicated Schools Grant (DSG) was introduced in 2006/07 as a 100% specific grant to fund the schools' budget.

7.2 Since 2013/14 the Grant has been split into three blocks: these are Schools Block; High Needs Block; and Early Year Block. Whilst the DSG is ring fenced the separate blocks are currently not ring fenced to each area but any movement from the Schools block would have to be agreed by the Schools' Forum.

7.3 The Original allocation of the DSG was calculated based on the 2012/13 spend and there has been no inflationary increase since then. However, during 2016/17, the Department for Education (DfE) has undertaken a base lining exercise as the first move to a national funding formula for all schools from 2018/19.

7.4 The rebased Schools block and the Early Years block are uplifted, based on a multiple of pupil numbers and unit value, whilst there is more limited growth in the High Needs block.

7.5 Within the Schools block, the Local Authority (LA) is not permitted to increase the central expenditure beyond the levels of 2012/13 which relates to prior commitments. All other funding is delegated to schools to manage locally.

7.6 For 2017/18 the previously separately funded Education Services Grant, for funding central duties, has been transferred to the DSG. This is funding for Council retained duties for Schools and Academies and, with the agreement of the Schools forum, will be allocated to central budgets.

7.7 From 2018/19 the Schools block will be split to represent specific central expenditure and that funding will be allocated directly to schools through the National Funding Formula.

7.8 The DSG allocation is based on the October pupil count and allocations were given in December for the Schools and High Needs blocks with an indicative allocation of the Early Years block which is updated for actual pupil take up during the year.

7.9 The Basis of the October Count has caused some dilution of funding to schools as Thurrock is going through a significant period of pupil growth which means that pupils are being funded in Schools before they are funded through the DSG. This effectively means there is a top slice to all schools' funding rates to cover the increased numbers.

7.10 It is expected that, for 2018/19, LAs will be directly funded through a separate allocation to support schools' growth which is likely to be beneficial for Thurrock.

7.11 There has been no change to the Thurrock Formula for financing schools this year with the Schools' Forum agreeing that during a time of reducing budgets further turbulence should not be added by changing the method of distribution. Therefore budget allocations are based on the same multipliers as in 2016/17.

7.12 DSG is calculated for all mainstream schools in Thurrock, including Academies, using the Thurrock funding formula. The Education Funding Agency then recoups funding to be distributed to Academies and a net Grant is paid to the council. This ensures that Academies and maintained schools are funded on the same basis. All figures in this report are gross.

7.13 The allocation of funding for Special Schools and the Pupil Referral Unit is no longer included as schools funding but is included in the High Needs Block. For 2017/18 the costs of Special Educational Needs transport have been transferred from the Schools to the High Needs block to better represent the cost drivers.

7.14 The DfE are currently consulting, up until 22 March 2017, on a different allocation methodology and a move to a national funding formula for all schools and Academies to be introduced for the 2018/19 year. The effect this has on individual schools will depend on their characteristics but broadly funding is being more directed to pupils with additional needs such as deprivation and low prior attainment.

7.15 The per pupil rate of Schools block DSG paid to Thurrock is £4,440.54 against an all-England average of £4,618.43. The total value of the DSG paid for 2017/18 is £145.55m (gross before Academy recoupment) made up of:

a)	Schools Block	£112.57m
b)	High Needs Block	£21.75m
c)	Early Years Block	£11.23m

7.16 At the end of 2016/17 all but one secondary school, 27 of the 39 primary schools and one of the two special schools has converted to Academy status. The remaining special school and three primary schools are due to convert at the beginning of the 2017/18 financial year.

8 Proposed Additions to the Capital Programme

8.1 The Capital Programme plays a key role in not just supporting and maintaining the borough's and the council's infrastructure but also includes strategic and place making schemes supporting both the place making and commercial agendas.

8.2 The following sources of funding are available to the General Fund:

- Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings. The Property Board, at the request of Cabinet, has commenced a strategic review of the asset base and will report back to Cabinet with an updated strategy, including a disposal programme, in due course. Asset management in the future will be based on the simple ethos of– Release – Reuse - Retain;

- Grants and Contributions- these could be ad hoc grants awarded from government or other funding agencies or contributions from developers and others;

- Prudential Borrowing – the Council is able to increase its borrowing to finance schemes as long as they are considered affordable and are deemed to meet the public good; and

- Revenue – the Council can charge capital costs directly to the General Fund but the pressure on resources means that this is not recommended.

8.3 On the basis that capital receipts are currently limited and, with a low level of reserves in place, any receipts may be set aside for debt repayment or a contingency towards revenue pressures (ability to use capital receipts for MRP purposes), the main areas of funding are grants and contributions – but these tend to be for specific purposes – and prudential borrowing – the main source for the attached proposals and current programme.

8.4 The capital programme has, in the past, only reflected and contained basic operational needs – plant, equipment, modest investment in open spaces and, more recently, some allocations for invest to save initiatives, digital technology and highways schemes.

8.5 The proposals at appendix 5 cover those elements that services consider essential for operational continuity as well as proposed improvements. Appendix 6 contains a list and brief description of the schemes put forward under the ‘future and aspirational’ banner.

Service Operational Proposals

8.6 The service operational capital proposals are essential to continuing effective service delivery. They include maintaining buildings, such as the civic offices, mandatory health and safety works, replacement of the environment fleet and plant and upgrading hardware and software to ensure they are fit for purpose and robust.

8.7 Whilst the above will also add improvement, there are also a number of schemes, especially around digital and change, that will support services to make efficiencies and to improve the service overall to residents.

Future and Aspirational Proposals

8.8 Members will be aware of a number of work streams, masterplans, etc that have built up a number of options for future schemes. A new theatre provision, an Integrated Healthy Living Centre, etc. No funding has yet been formally agreed for any of these schemes as further work is required to develop business plans on their financial viability and impact. The recommendation to Council is to set aside an amount of transformation funding – up to £2m – to develop detailed feasibility work on these schemes to bring forward more definitive proposals through Scrutiny, Cabinet and Council later in the year.

8.9 Corporate Overview and Scrutiny supported the approach detailed in 8.8 above.

9 Other Capital Recommendations

9.1 In previous years, the recommendations to Council have also included delegations to Cabinet to agree additions to the capital programme under the following criteria:

- If additional third party resources are secured, such as government grants and s106 agreements, for specific schemes;
- Where a scheme is identified that can be classed as 'spend to save' – where it will lead to cost reductions or income generation that will, as a minimum, cover the cost of borrowing; and
- For Gloriana schemes.

9.2 A recent example as to how a delegation has worked is the East Tilbury GP Practice. As this scheme was not in the capital programme, it is as a result of the above delegations – the fact that income to be attained will cover the cost of financing – that Cabinet can take the decision to proceed with the proposed purchase. Had this delegation not been in place, council approval would have been required. The timescales to do so may have prevented the council being able to act quickly and effectively to be in a position to purchase the building, leading to a possible competitive bidding process that might have either pushed up the cost of the facility or worse, seen the building being purchased by another organisation or individual.

9.3 Corporate Overview and Scrutiny were supportive of delegations on third party resources and spend to save. There was no consensus on whether there should be a de minimus on delegations set and so it is planned to carry out a review on delegations such as these in the next municipal year to inform future decisions.

9.4 Members will consider the issues being expressed regarding funding of Gloriana schemes and report back to the relevant committee in due course.

9.5 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.

9.6 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.

9.7 At February Cabinet, it was noted that the administration seek to review delegations in the forthcoming municipal year, so to ensure proportional and adequate oversight before transactions are approved.

10 Issues, Options and Analysis of Options

10.1 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 Council Spending Review panel and Directors' Board.

11 Reasons for Recommendation

11.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2016/17 and recommends a balanced budget for 2017/18 to the Council.

12 Consultation (including Overview and Scrutiny, if applicable)

12.1 This report has been developed in consultation with the Leader, Portfolio Holders and Directors Board. In addition, Corporate Overview and Scrutiny Committee considered the budget proposals on 18 January 2017 with their comments set out in the body of the report. Group Leaders and Deputy Leaders have been involved throughout the budget planning process through the Council Spending Review Panel. Officers have attended political group meetings to provide a briefing on the overall financial position.

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

13.1 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. This budget starts to rebuild key service budgets with real growth allocated to Children's and Adults' Social Care and the Environment.

13.2 Whilst the direct impact on frontline services is low from the new proposals, the efficiencies could have an effect if not properly managed, as could be expected.

14 Implications

14.1 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.

14.2 Legal

Implications verified by: **David Lawson**

Deputy Head of Legal & Governance - 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.

14.3 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.

14.4 **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.

15 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
- Council Spending Review Panel papers held in Strategy and Communications

16 Appendices to the report

- Appendix 1 – Report of the Council's Section 151 Officer under Section 25 of the Local Government Act 2003: Robustness of Estimates and Adequacy of Reserves
- Appendix 2 – Summary of MTFS Movements
- Appendix 3 – Medium Term Financial Strategy
- Appendix 4 – Schools' Budget
- Appendix 5 – General Fund Capital Programme Proposals
- Appendix 6 – Future and Aspirational Capital Proposals

Report Author:

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