

2 February 2016		ITEM: 7
Corporate Overview and Scrutiny Committee		
General Fund Proposed Budget		
Wards and communities affected: All	Key Decision: Not Applicable	
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 progress to meeting the 2016/17 forecast deficit of £9.966m that was reported to Council in February 2015.

This report summarises the key changes to this forecast and results in a balanced budget approach for 2016/17, as considered by Cabinet on 13 January 2016.

Whilst most of the changes are a matter of fact, the Corporate Overview and Scrutiny Committee are asked to comment specifically on two areas: the recommended increase in Council Tax; and the issue on bus subsidies, in part linked to the motion that was carried at the Council meeting on 25 November 2015.

1 Recommendation(s):

- 1.1 That Corporate Overview and Scrutiny Committee note and comment on the key changes to the 2016/17 base budget;**
- 1.2 That Corporate Overview and Scrutiny Committee provide Cabinet with a view to the proposed 2% increase in Council Tax relating to the Social Care Precept;**
- 1.3 That Corporate Overview and Scrutiny Committee provide Cabinet with a view to the proposed 1.99% increase in Council Tax relating to the overall budget; and**
- 1.4 That Corporate Overview and Scrutiny Committee note the comments regarding the Director of Finance and IT's Section 25 considerations as set out in section 6 of this report.**

2 Shaping the Council

- 2.1 The Comprehensive Spending Review (CSR) announced on 25 November 2015 and the subsequent grant announcement on 17 December 2015 was very clear on a number of financial points:
- a) That, as Thurrock Council has budgeted, 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 this, 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; 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.
- 2.2 It is clear from the above that councils will have to rely more on local income generation, particularly from Council Tax, to meet a growing range of services going forward. Members will be required to consider difficult challenges throughout 2016, the first being the need to agree Council Tax increases for 2016/17 and these are set out later in this report.
- 2.3 It will also be essential that 2016/17 includes a budget provision for the preparation that will be required to:
- a) Increase income through both existing charges and securing additional income streams;
 - b) Continue the work on rationalising the Council's assets to reduce costs and maximise income potential;
 - c) Drive efficiencies through better ways of working;
 - d) Finance spend to save initiatives;
 - e) Investigate and implement new Delivery Models; and
 - f) Finance organisational change where necessary.
- 2.4 The proposals in this report include a budget for this purpose.

3 Provisional Grant Settlement

- 3.1 The 2016/17 provisional finance settlement represents the fourth year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous three years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.
- 3.2 The provisional figures are expected to be confirmed in late January/early February 2016 (within the final settlement announcement).
- 3.3 A new methodology for determining authorities' Revenue Support Grant (RSG) allocations has been proposed within the provisional settlement. Rather than applying the same percentage cut to all authorities, the new approach takes into account individual authorities' council tax raising ability and the type of services provide.
- 3.4 Even considering the above, the reductions to Thurrock Council's grant support are significant and further support the need for change going forward:

Financial Year	£m Reduction
2010/11-2015/16	29.0
2016/17	6.5
2017/18	6.0
2018/19	4.0
2019/20	3.9
	49.4

- 3.5 In terms of the New Homes Bonus (NHB), it appears that there are no changes to the scheme planned before 2018/19 and the amounts for 2016/17 and 2017/18 would be consistent with authorities receiving allocations as per the current system. However, indications are that there will be reductions in NHB over the life of this settlement and that the scheme itself could well be scrapped.
- 3.6 Thurrock Council had planned on £3.31m in 2016/17 increasing to £4.345m in 2019/20. This has proven to be optimistic due to a lower number of properties

being brought into use and the MTFs will be adjusted to reflect these reduced amounts.

- 3.7 Although there are indications that any future reductions in NHB will be redistributed, the basis and mechanism for this is unknown. As such, the revised MTFs to be presented in February will look to phase out the dependency on this funding stream and this is in keeping with the direction towards financial self-sustainability.
- 3.8 Public Health Grant – There remains some uncertainty over the level of cut in the Public Health Grant (PHG) next year. The Autumn Statement confirmed that the ring fence would continue for a further 2 years – 2016/17 and 2017/18 but then stated that the PHG would be reduced by approximately 4%. It is not clear whether this 4% reduction is in addition to the in-year cut of 6.2% imposed during this financial year or is the final reduction. The Department of Health has also recently consulted on a new formula for distributing the PHG – based more on local need rather than previous PCT expenditure levels. A needs based formula would benefit Thurrock but it is not clear when this will be introduced. A further report on the PHG will be submitted to Health and Well-Being Scrutiny Committee when the position is clearer but in line with the previous policy any reductions in the PHG will have to come out of the services commissioned by the PHG.
- 3.9 There is no additional Better Care Funding (BCF) in 2016/17. Although the provisional settlement demonstrated growth for the BCF by 2019/20 it should be remembered that the current BCF was formed from existing council and CCG budgets. There has been no clarification as yet as to whether this is new funding or not.
- 3.10 There was no additional funding, through the RSG or new burdens funding, for other financial liabilities that the Council faces next year as a result of government legislation:
- a) Changes to National Insurance and the introduction of the Apprentice Levy increases costs by circa £0.5m; and
 - b) The minimum wage increases has been estimated to impact Adult Social Care contract provision by £1.5m.

Council Tax

- 3.11 The grant announcement confirmed that there would no longer be a freeze grant offered to councils. As the MTFs had assumed a grant would be available, this makes the Council's financial position worse by £0.6m.
- 3.12 The government's spending power calculation for all councils with adult social care responsibility assumes increases of 3.75% representing a general council tax increase of 1.75% per annum over the life of the settlement, in line with CPI, plus the additional 2% Social Care precept. This is a complete reversal from previous government policy on council tax with the settlement

assuming increases in Council Tax for both general purposes and for the additional 2% available under the Social Care precept.

- 3.13 When considering Council Tax increases, Members should be aware of 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 whilst also needing to meet further pressures from those government decisions set out in paragraph 3.10.
- 3.14 Out of 55 Unitary Authorities, Thurrock Council has the third lowest Council Tax Band D. Then, out of the lowest ten Council Tax Unitary Authorities, Thurrock Council:
- Is only able to raise the third lowest amount of Council Tax;
 - Receives the third lowest level of RSG;
 - Has the third lowest net budget; and
 - Has the fifth lowest net budget per head of population.
- 3.15 This clearly demonstrates that the Council has one of the lowest levels of budgets in the Country for the range of services the Council must provide, before even considering any discretionary services that Members may want to provide.
- 3.16 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. Due to the loss of assumed freeze grant and the Council's low budget base as set out in paragraphs 3.14 and 3.15, **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.
- 3.17 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:

Thurrock Only				
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

3.18 In a survey carried out amongst Municipal and Unitary Treasurers in early January, there were two specific questions and these are set out below along with the response:

a) 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%

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

4 Changes to the 2016/17 Budget

4.1 Recent years have seen a number of consultations across all services that have proposed a wide range of service reductions and price increases.

4.2 Whilst all of the Overview and Scrutiny Committees have received reports on fees and Charges that has also set out a more challenging income generation target, this budget proposes no further budget reductions to front line services but instead, provides the time and a budget to prepare the Council for the financial challenges to be met from 2017/18.

4.3 The table below sets out the key changes that have either been implemented already or are proposed to bridge the gap of £9.966m as reported to Council in February 2015:

	£m	
February 2015	9.966	The MTFs forecast as reported to Council
Social Care Precept	(1.099)	A 2% increase on the current Council Tax level
General Council Tax	(1.093)	A 1.99% increase on the current Council Tax

	£m	
Increase		level
Council Tax Freeze Grant	0.600	Freeze grant no longer available
Grants	(1.746)	An improved position on estimated settlement
Prior Year Council Tax and Business Rates Reconciliation	(1.121)	Every year the Council has to estimate the surplus or deficit in terms of amounts collected against originally estimated. There are still significant pressures on Business Rate appeals that leaves the Business Rate position in deficit but the Council Tax position continues to have a positive impact
Increased Income Generation	(0.700)	As reported to the various Overview and Scrutiny Committees, an additional £0.5m has been built into the base budgets over increases that had already been targeted. This is an essential component of the Council's move towards financial self-sustainability
Pay Related	1.048	Recognises the inclusion of Serco as Thurrock workforce, the changes to NI and the Apprentice Levy
Inflation	(1.018)	Reductions in contract and utility inflation provisions recognising the low rates and cost reductions
Treasury	(4.054)	The Council has been proactive in achieving technical accounting efficiencies such as an annual reduction in the Minimum Revenue Provision and also making significant increases in investment income through CCLA and Gloriana
Environmental Services	1.460	Includes the decision not to implement the charge for green bins and the increased costs arising from the closure of the recycling facility.
Serco	(3.400)	The net saving resulting from the termination of the Serco contract
Growth	1.500	The MTFS assumes annual increases for demographic growth of £3m. However, with the increase in the minimum wage and unprecedented increases in demands for both Children's and Adults' Social Care, further provision is required
Staffing Cost Reductions	(1.200)	Savings have been identified through the senior management restructure, the savings from the Serco management that did not transfer to the Council and the opportunities to achieve efficiency savings from Thurrock

	£m	
		Online
Bus Subsidies	0.190	The issue of bus subsidies has been the subject of a motion at Council on 25 November 2015 and it was also raised as a concern in a budget consultation meeting with the Community Forums on 20 January 2016. Tenders have now been received back and have included the following: <ul style="list-style-type: none"> – Service 11 to offer a 90 minute service including Horndon on the Hill; – Service 374 to offer a 90 minute service commercially with a de minimus payment from the Council; and – Service 14 to offer Fobbing a limited service to Corringham and Basildon.
Other	0.252	Other minor amendments in terms of technical items, Council Tax base assumptions, etc
Balance	(0.415)	Available to finance the various initiatives required towards financial self-sustainability

- 4.4 It is clear from the table above that, if the Council is to balance the budget for 2016/17 without having to make further reductions to services, the Council Tax increases are required.
- 4.5 Any reduction in the first instance would reduce the budget required for change as set out in paragraph 2.3 and would then require budget reductions to service budgets. The first service reduction would have to be the reinstated bus subsidies budget as it is a previously agreed saving and an area not yet contractually committed.

5 Medium Term Financial Strategy (MTFS)

The Medium Term

- 5.1 As previously reported, the Council faces a further £25.5m over the period 2017/18 to 2019/20, with a pressure of £11.1m in 2017/18 alone.
- 5.2 Should the above position for 2016/17 be realised, this would provide a reduction to the pressure in 2017/18 and there may well be further changes as a result of the indicative grant settlements for future years that have been issued.
- 5.3 These will all be set out in a revised MTFS in February 2016 but what is already clear is that a significant reduction to the Council's net expenditure is required.

- 5.4 It is clear that both revenue and capital investment will be required over the coming months to support the levels of change required to meet these medium term pressures. The contingent sum set out in previous paragraphs along with strong control of growth pressures is essential to achieve this.

6 Section 25 Statement

- 6.1 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.
- 6.2 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.
- 6.3 This meeting of the Overview and Scrutiny Committee and the Cabinet meeting on 10 February 2016 will inform this opinion.

7 Issues, Options and Analysis of Options

- 7.1 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.

8 Reasons for Recommendation

- 8.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the need to achieve financial self-sustainability and the Committee's views on Council Tax will help shape this.

9 Consultation (including Overview and Scrutiny, if applicable)

- 9.1 This report has been developed in consultation with the Leader, Portfolio Holders and Group Leaders and Directors Board.
- 9.2 Consultation meetings have taken place with the voluntary sector, Community Forum chairs and Business Board in January 2016 to discuss the budget position and savings the Council needs to make in the next few years.
- 9.3 New webpages have been created, with a link from the home page of the Council's website, setting out the reduction in Government grant since 2010, how the Council is funded and things that residents can do to help reduce costs such as recycle and access services online. These pages will be added to throughout the budget planning process and will provide a basis for other communication activity through to budget setting in February including providing information to every household with the Council Tax bills.

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

- 10.1 The implementation of savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. Delivering further savings in addition to those previously agreed is particularly challenging in light of the cumulative impact of such a significant reduction in budget and in the context of a growing population and service demand pressures within children's and adult social care and housing, and legislative changes. As such, a new approach aims to establish sustainable and innovative ways of delivering services in the future to mitigate this impact.
- 10.2 There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. This will need to be closely monitored. 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.

11 Implications

11.1 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.

11.2 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.

11.3 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 from the Panel's discussions and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

11.4 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.

12 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

13 Appendices to the report

- None

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