Thurrock - An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future

Corporate Overview and Scrutiny Committee

The meeting will be held at **7.00 pm** on **21 January 2021**

Due to government guidance regarding the COVID-19 virus, members of the press and public will not be able to attend the meeting of Corporate Overview and Scrutiny Committee on 21 January 2021. The meeting will be available to watch live at www.thurrock.gov.uk/webcast

Membership:

Councillors Oliver Gerrish (Chair), Jack Duffin (Vice-Chair), Colin Churchman, Garry Hague, Shane Ralph and Gerard Rice

Substitutes:

Councillors Mike Fletcher, Sue Hooper, Sara Muldowney and Elizabeth Rigby

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Agenda

Open to Public and Press

Queries regarding this Agenda or notification of apologies:

Please contact Lucy Tricker, Democratic Services Officer by sending an email to Direct.Democracy@thurrock.gov.uk

Agenda published on: **13 January 2021**

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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

Breaching those parts identified as a pecuniary interest is potentially a criminal offence

Helpful Reminders for Members

- *Is your register of interests up to date?*
- *In particular have you declared to the Monitoring Officer all disclosable pecuniary interests?*
- *Have you checked the register to ensure that they have been recorded correctly?*

When should you declare an interest *at a meeting?*

- **What matters are being discussed at the meeting?** (including Council, Cabinet, Committees, Subs, Joint Committees and Joint Subs); or
- If you are a Cabinet Member making decisions other than in Cabinet **what matter is before you for single member decision?**

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Does the business to be transacted at the meeting

- **relate to; or**
- **likely to affect**

any of your registered interests and in particular any of your Disclosable Pecuniary Interests?

Disclosable Pecuniary Interests shall include your interests or those of:

- your spouse or civil partner's
- a person you are living with as husband/ wife
- a person you are living with as if you were civil partners

where you are aware that this other person has the interest.

A detailed description of a disclosable pecuniary interest is included in the Members Code of Conduct at Chapter 7 of the Constitution. **Please seek advice from the Monitoring Officer about disclosable pecuniary interests.**

What is a Non-Pecuniary interest? – this is an interest which is not pecuniary (as defined) but is nonetheless so significant that a member of the public with knowledge of the relevant facts, would reasonably regard to be so significant that it would materially impact upon your judgement of the public interest.

Pecuniary

If the interest is not already in the register you must (unless the interest has been agreed by the Monitoring Officer to be sensitive) disclose the existence and nature of the interest to the meeting

If the Interest is not entered in the register and is not the subject of a pending notification you must within 28 days notify the Monitoring Officer of the interest for inclusion in the register

Unless you have received dispensation upon previous application from the Monitoring Officer, you must:

- **Not participate or participate further in any discussion of the matter at a meeting;**
- **Not participate in any vote or further vote taken at the meeting; and**
- **leave the room while the item is being considered/voted upon**

If you are a Cabinet Member you may make arrangements for the matter to be dealt with by a third person but take no further steps

Non- pecuniary

Declare the nature and extent of your interest including enough detail to allow a member of the public to understand its nature

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You may participate and vote in the usual way but you should seek advice on Predetermination and Bias from the Monitoring Officer.

Our Vision and Priorities for Thurrock

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

1. **People** – a borough where people of all ages are proud to work and play, live and stay

    - High quality, consistent and accessible public services which are right first time
    - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
    - Communities are empowered to make choices and be safer and stronger together

2. **Place** – a heritage-rich borough which is ambitious for its future

    - Roads, houses and public spaces that connect people and places
    - Clean environments that everyone has reason to take pride in
    - Fewer public buildings with better services

3. **Prosperity** – a borough which enables everyone to achieve their aspirations

    - Attractive opportunities for businesses and investors to enhance the local economy
    - Vocational and academic education, skills and job opportunities for all
    - Commercial, entrepreneurial and connected public services

Minutes of the Meeting of the Corporate Overview and Scrutiny Committee held on 10 November 2020 at 7.00 pm

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Present:	Councillors Oliver Gerrish (Chair), Jack Duffin (Vice-Chair), Garry Hague, Shane Ralph and Gerard Rice
In attendance:	Graham Brace, ASELA LFFN Programme Manager Sean Clark, Corporate Director of Finance, Governance and Property Wendy Le, Senior Democratic Services Officer Natalie Smith, Strategic Lead - Community Development and Equalities Karen Wheeler, Director of Strategy, Communications and Customer Service Lucy Tricker, Senior Democratic Services Officer Kim Towlson, Chair – Thurrock Association of Forums Peter Saunders, Vice-Chair – Thurrock Association of Forums Janet McCheyne – Secretary – Thurrock Association of Forums

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Before the start of the Meeting, all present were advised that the meeting was being recorded, and live-streamed to the Council's website.

14. Minutes

The minutes of the Corporate Overview and Scrutiny Committee held on 8 September 2020 were approved as a true and correct record.

15. Items of Urgent Business

There were no items of urgent business.

16. Declaration of Interests

There were no items of urgent business.

17. Community Forums

The Strategic Lead Community Development and Equalities set out the background to the report and described how community forums had evolved over the past twenty years. She introduced the three guests to the meeting, from the Thurrock Association of Forums (TAF).

The Chair of TAF introduced himself and states that he was the Chair of both Horndon Community Forum and TAF and felt that community forums provided a go-between for residents and the Council. He stated that community forums constantly examined themselves and how communication could be improved with both residents and the council, particularly during the difficult times of the pandemic. He stated that forums were currently not working as closely with the council due to COVID-19, but instead were working very closely with residents. He explained that TAF were currently trying to reactivate 2-3 deactivated forums, to get back to the original number of 20 forums across Thurrock. He added that there were also two non-active forums in Grays, both Grays Central and Grays Riverside, and two fragile forums which TAF were working to try to maintain during the pandemic.

The Vice-Chair of TAF introduced himself and stated that the role of forums had evolved since the early 2000s and were now quasi-parish councils, but with no legal status, as they helped collect resident's views on issues and convey these to the council via Ward Councillors. He felt community forums had a good working relationship with their ward councillors, particularly his forum of Chadwell St Mary which worked closely with their three elected members. He thanked the Strategic Lead Community Development and Equalities and her team for their hard work and he felt they were very active and helpful, but added that he felt there was some reluctance amongst other council directorates to engage fully with forums. He stated that TAF and other community forums worked closely with other organisations such as CVS, and through their good work had provided the impetus for projects such as the Chadwell St Mary community hub, which had been very successful up until the advent of COVID. He added that as the role of forums had changed over the years, and TAF had been formed, they were now in a better position to make representations to the council and they could negotiate on issues that affected all forums, such as the LTC and Community Infrastructure Levy.

The Secretary of TAF stated that although community forums were experiencing difficult times due to COVID-19, they were still helping CVS support vulnerable people across the borough, and were using email and social media to stay in touch with their local communities. She thanked the hard work of the community development and equalities team, particularly the Strategic Lead and Lynn Gittins. She added that community forums had good working relationships with elected members and other organisations such as CVS, and also had access to good insurance through the Council. She summarised and stated that she felt that some directorates did not realise how to utilise community forums to their full extent.

The Chair thanked the members of TAF for attending the meeting and providing their views and asked how the Council could help and support community forums. The Chair of TAF responded and stated that the Council currently paid for community forums insurance as well as administration money, but this had been cut over the years, and felt that forums could always do with additional funding. He thanked the Community Development and Equalities team for their hard work and felt that any barriers could be overcome. The Vice-Chair of TAF agreed with the statements made by the Chair of TAF.

Councillor Rice added that the Chadwell St Mary forum had worked very hard in the fight against the LTC and informing residents what was happening, and the Council should continue to ensure all administration money continued to be paid. Councillor Ralph questioned the average turnout for forums and asked how Councillors could help in generating more interest. The Chair of TAF responded that the attendance of forums varied from 2-3 people to 40/50/60 people if an important topic was being discussed. He stated that it was difficult to interest people to standard meetings and persuade all Thurrock residents to join forums. He added that the community supported forums in many different ways, not just through physical attendance at meetings. Councillor Ralph asked how forums and the Council could spark interest in younger generations, and asked if there was a possibility of holding specialised events post-COVID, such as Christmas and summer fetes. The Chair of TAF responded that there was interest in community forums amongst younger people, particularly young parents, but they found it difficult to attend meetings due to work and childcare constraints. Councillor Ralph questioned whether meetings could be livestreamed to include younger people. The Chair of TAF responded that this was something TAF and other community forums were currently looking into. The Secretary of TAF added that although younger people did not attend meetings, they were active in forums in other ways, such as on social media. She added that in some smaller communities it was easier to establish forums, and that different areas had different issues which affected attendance.

Councillor Duffin thanked forums for their hard work, and thanked those residents who engaged with community forums and the Council. He suggested that the Committee recommend an annual meeting between TAF, Members and senior officers to improve feedback, as he felt this would be beneficial to both parties. The Chair of TAF stated that they met roughly 4-5 times per year and certain council officers were invited to these meetings, but other senior officers and members were always welcome to attend.

The Chair summarised and stated that this report would be the start of an ongoing conversation and process into the relationship between community forums and the Council, which would focus on funding, communications with council departments, and community outreach to residents. The Strategic Lead Community Development and Equalities added that the Collaborative Communities Framework would be a good way to incorporate these ideas and conversations, and the detail of this would be discussed at the next TAF meeting. The Chair thanked all community forums and the meeting attendees for their hard work and help within the community.

RESOLVED: That:

The Committee:

1. The report is provided as background information to Community Forums.

18. Collaborative Communities Framework: 2021-2025

The Strategic Lead Community Development and Equalities introduced the report and stated that an earlier version had been shared with the Committee last year, and had been developed with the Council's partners and the voluntary sector, and the work with the Thurrock Coronavirus Community Action had helped push the framework forward. She stated that residents were at the heart of this framework, which was divided into three sections: equality to ensure fair access and cohesion; empowerment to ensure the council were working with community forums to make sure they succeed; and engagement to ensure conversations with partners and residents are started early. She added that the framework was ambitious and a development plan was being drawn up to ensure a culture change within the council. She stated that she was keen on comments from the Committee in how to provide the necessary change, including on a 'pact' or 'bond' with partners and residents, but stated that as this framework covered four years, it would be long-term change programme.

The Chair thanked the Strategic Lead and stated that this was an important piece of work that would set services up well to be able to help residents. He asked what the proposed 'pact' would look like and what the outcome of this would be. The Strategic Lead Community Development and Equalities stated that some other Councils had established a manifesto with local organisations, and this framework was the beginning stages of organising this. She felt that the Council had worked well with partner and voluntary organisations during COVID and wanted this to be extended after the pandemic. She added that the 'pact' would be a reciprocal arrangement with potential rewards for volunteers, which would ensure a win-win situation for both the Council and partner or voluntary organisations.
The Chair queried what routes were available to contact the significant proportion of residents who did not get involved with community forums, and asked how these people could be engaged and those processes embedded within the council. The Strategic Lead Community Development and Equalities replied that there were numerous channels to engage with residents such as via email or social media, and the Community Development team worked closely with the Communications team on this. She felt there needed to be a formal process to enable this dialogue and link local networks together to be able to connect with each other. She explained that the Council worked closely with CVS on the 'Stronger Together' initiative that brought working between the Council and voluntary sector closer to be able to facilitate and develop ideas, as well as nurture policy discussions. She added that working closely with the voluntary sector was good as it invited comments and ideas, as well as allowed the Council to help businesses and individuals secure grant funding. She added that these ideas would be embedded through engagement with directorates and officers.

Councillor Ralph echoed the Chair's comments and felt it was a vital report. He stated that the Council needed to engage with communities, and that Stronger Together has worked very well during the pandemic. He felt that the Council needed to work closely with the community, for example the recycling team could attend community events to spread the recycling message and provide information. The Strategic Lead Community Development and

Equalities replied and stated that she hoped community events would begin post-COVID and that past Council teams who had attended such events received good levels of feedback and new ideas. She described that officers who attended community events also felt empowered on their return to change their services and implement ideas.

The Chair summarised and stated that the Committee felt it was a positive report, and how communities engaged with the Council was very important. He asked if updates on the project could come back to the Committee in future.

RESOLVED: That:

The Committee:

1. Commented were invited to support the scope of the Framework – specifically the idea of a 'pact' or 'bond' with communities, as well as broader comment of the proposed actions and their priority.

19. Connectivity and Wi-Fi Improvements

The Chair explained that the agenda had changed slightly, and the Connectivity and Wi-Fi Improvement had been moved forward. The ASELA LFFN Programme Manager introduced the report and explained that it was in response to questions raised at the Committee meeting in June 2020 regarding digital infrastructure. He explained that Thurrock currently only had 8% fibre coverage across the borough, and the Council were committed to raising this to 100% before the government's target of 2025. He stated that Thurrock's LFFN (Local Full Fibre Network) was part of a wider entity organised by ASELA (Association South Essex Local Authorities), who had received a grant of £4.4million from the Department of Digital, Culture, Media and Sport. He explained that part of this grant had been given to Thurrock, which would provide 60km of fibre and 78 full fibre sites. He described that the project was currently being delivered and 31 sites across the borough would be completed by the end of November, with the rest being installed by the end of January 2021. He stated that ASELA had also received an additional £2.5million of funding to extend the programme, and the team were currently arranging which sites would receive this funding and the necessary fibre infrastructure.

The ASELA LFFN Programme Manager added that the team were working with the Superfast Essex Programme to ensure that the project received best value from public monies, and additional support was being sourced by ASELA from the Outside In Programme from central government, which aimed to get fibre connectivity to harder to reach places. He explained that although Thurrock did not have many hard to reach areas, there were some areas in ASELA which would benefit greatly from the scheme. He then explained that by working so closely with central government during this project, Thurrock and ASELA had gained visibility and were able to provide

input into government decisions. He added that the LFFN team were also working with community forums regarding poor broadband speeds in some areas and were providing guidance and help in this area. The ASELA LFFN Programme Manager felt that it was good to see investment from central government and market engagement, but the programme also required investment from the private sector to encourage the inter-connectivity of LFFN. He stated that Openreach had recently announced investment in Grays and Purfleet which would begin in six months' time and help approximately 26,000 residents' access fibre networks. He explained that the business model surrounding public Wi-Fi was changing, as there was now a decreased need for this service, as the majority of people had smartphones with 4G access. He stated that there was an increased demand for high quality inside Wi-Fi as there was greater usage and greater demand. He explained that indoor Wi-Fi was provided by the organisations running the sites, and although the Council did have some public Wi-Fi sites, it was now increasingly important to have full fibre and 4G/5G coverage.
Councillor Ralph began questions and asked whether the reduced demand for public Wi-Fi was a corporate or public view, and whether this had been consulted on. He felt that some people still required public Wi-Fi, particularly in areas with poor signal. The ASELA LFFN Programme Manager responded that this was the general market and sector view, but no detailed analysis had been carried out. He stated that although some areas did have poor coverage, he felt it was not best use of public monies to invest in public Wi-Fi, as the Council needed to invest in full fibre. Councillor Ralph felt concerned that some people could not afford to rely on expensive phone data packages and relied on free Wi-Fi. The ASELA LFFN Programme Manager explained that the business model for Wi-Fi charging was now gone as there was no justification for this, as people expected free Wi-Fi everywhere, for example in pubs and hotels.

RESOLVED: That:

The Committee:

1. Commented on and noted the report.

20. Overview and Scrutiny at Thurrock: A Review

The Senior Democratic Services Officer introduced the report and explained that it had been borne out of cross-party backbench wishes to review and examine the scrutiny function, which had culminated in a Full Council motion. She described how the team had begun the report by undertaking detailed quantitative and qualitative data, which had been presented before the Committee and highlighted some of the areas of improvement within scrutiny. She explained how the Committee had then agreed for three separate project streams, which were a Scrutiny Symposium, an Executive-Scrutiny Workshop, ad detailed analysis and research. The Senior Democratic Services Officer described in detail the research that had been undertaken, as well as the outcomes from the project and how these had helped to inform the recommendations. She outlined the recommendations and stated that any comments from the Committee would be sent to Cabinet along with the report in December, before implementation in the New Year.

Councillor Ralph thanked the team for their hard work, and asked about the process if ‘to note’ reports were emailed to the committee. The Senior Democratic Services Officer replied that report authors, Democratic Services and the Chair would work together to decide if a ‘to note’ report was suitable for email only, and this would be emailed to the committee. If the committee wished to make detailed comment, then they could choose for the report to be added to the agenda. Councillor Hague felt the report would be a good way to improve the scrutiny function, as he felt it was an important part of the political process. He felt that it was important to have a robust scrutiny function and therefore fully supported the recommendations.

RESOLVED: That:

The Committee:

1. Approved the recommendations as set out at Appendix 1, and agreed to send the report to Cabinet for appropriate approval.

2. Approved the draft Executive-Scrutiny Protocol at attached at Appendix 1 of the review.

21. Financial Update

The Corporate Director of Finance, Governance and Property introduced the report and stated that this was the third financial update that had been brought to the Committee in this municipal year and included the impact of COVID-19 on the Council. He outlined that section 3.2 and 3.3 of the report outlined additional government support being given to Thurrock Council, which included £3.48million for general funds and brought the total level of government support to £14.42million. He stated that the Council were currently going through the claim process in regards to lost income for fees and charges, but mentioned that approximately 71% of these losses would be covered. The Corporate Director of Finance, Governance and Property then outlined other government funding which included £100,000 towards COVID enforcement and compliance; £1.2million for residential care homes; additional support for schools transport; and £190,000 for the Thameside Theatre. He added that Thurrock were still waiting for their allocation from central government of cold weather funding. He stated that Thurrock had also received £523,000 for the COVID winter grant scheme, which would run between December and March, and would support those most in need with food, energy and water bills, and free school meals.

The Corporate Director of Finance, Governance and Property then outlined support for businesses which included four new business support schemes from the government, two of which were applicable to Thurrock. He commented that the first scheme covered those businesses which had been forced to close during this lockdown period, who would receive a grant of £1334, £2000 or £3000 depending on their business. He added that the second scheme was a discretionary scheme allocated at £20 per head of the population which would be used to support businesses who had been impacted by the second lockdown, but had not been forced to close. He mentioned that officers were still working through the details of these schemes as the government were still producing guidelines, but these schemes would go live to businesses next week.

The Corporate Director of Finance, Governance and Property then moved onto describing the financial situation for this financial year, and stated that before the start of the secondary lockdown, the Council had predicted an overspend of £2million for this financial year. He stated that this prediction used all £4million of the Council's surplus, plus the first three tranches of the government grant. He added that the latest government announcement would cover the deficit, as he expected the current financial situation to deteriorate further. He stated that to help mitigate some of these problems there had been a review of the capital programme, and all non-essential vacant posts had been frozen. He commented that whilst there had been an increase in residents receiving Local Council Tax Scheme (LCTS) support, he felt that the full impact of COVID was not yet known, and would not be known until government support such as furlough was ended. He stated that a significant number of Thurrock businesses were being supported through business rate relief, but commented that the wider longer-term impact of COVID on these businesses was also not yet known. He stated that due to these impacts, the Council's tax base would not be as high as in previous years. The Corporate Director of Finance, Governance and Property then outlined the impact that COVID would have on capital projects and commented that all ongoing projects were working to ensure they were COVID compliant. He stated that the impact on the Housing Revenue Account (HRA) had largely been limited to an increased debt risk due to a reduction in rent collection, but felt that the impact would not be known until employment protection schemes were phased out.

The Corporate Director of Finance, Governance and Property then moved on to outlining the Medium Term Financial Strategy (MTFS) and the impact COVID had had on this, and stated that the Council were now predicting a £34million budget gap over the next three years, £19million of which would be during the next financial year. He stated that this is due to a loss in council tax and business rates; increased spending on social care to ensure market resiliency; a reduction in fees and charges; and a pause in the capital strategy including Thurrock Regeneration Limited (TRL) and capital investments. He stated that the financial challenge in 2021/22 was too big to be met with sustainable savings in the time-scale that the Council has, and commented that the Council were currently examining a number of immediate short-term relief measures. He mentioned that these included the use of reserves and a freeze on recruitment for non-essential current vacancies, which would save approximately £4million. He stated that central government were considering a referendum limit on the maximum increase of council tax, but this would not be known until mid-late December.

The Corporate Director of Finance, Governance and Property stated that a draft budget would be presented to Corporate Overview and Scrutiny and Cabinet in January. He stated that central government had announced that this would only need to be a one-year settlement, so the Council would not certainty regarding the 2022/23 until December 2021. He added that the Council were currently undertaking a full asset review, a targeted transformation programme, and were reviewing Council staffing budgets. The Corporate Director of Finance, Governance and Property then moved onto discussing investments and stated that they were working well, and although there had been pressures on returns, all investments were still safe. He stated that investments were being reported to a Shadow Investment Committee, and that the Council's investment strategy now focussed around longer-term Public Works Loan Board (PWLB) investment, rather than shorter term borrowing from other Councils. He stated that due to the current financial situation other Councils were not lending as much, and had removed Thurrock from their lending list due to negative press surrounding Thurrock's investment strategy. He added that although both lender and borrower had been benefitting from these short-term lending strategies, other Councils had not wanted to risk any bad press. He stated that this shorter-term debt had now been swapped and re-financed for PWLB debt, and this would be reported to the Standards and Audit Committee.

The Chair thanked the Corporate Director of Finance, Governance and Property for his report and questioned whether the refinancing for PWLB debt had had an additional cost to the Council. The Corporate Director of Finance, Governance and Property replied that it had had an additional cost, but all investments were still profitable, although this profit had been diluted due to an increased borrowing cost. The Chair then asked about the end of year financial outlook for 2020/21 and queried how the Council had moved from a £4million surplus to a £2million deficit, and asked if this could decrease further before the end of the financial year. The Corporate Director of Finance, Governance and Property replied that before the last announcement from central government, Thurrock had only received £3million in support, and stated that any previous surplus would now be put towards the future deficit. He stated that the £2million funding gap had been before the announcement of the second lockdown, and did not include any winter social care pressures that the Council would experience. He stated that the Council currently had £11million in general fund reserves, which would only be used as a last resort, as well as £1.5million social care reserve and £3.5million general reserve.

The Chair then queried the 2021/22 budget and asked if TRL had been paused due to COVID-19 or if other factors had been involved. The Corporate Director of Finance, Governance and Property replied that due to COVID-19 the capital strategy and investment activity had been paused. He stated that there was currently a TRL target of £1.8million each year, which now had to be funded through reserves. He added that TRL was currently undergoing a governance review, which included going to the General Services Committee, Housing Overview and Scrutiny Committee, as well as Cabinet, and stated that if the Council went forward with TRL then those targets would be put back in place. The Chair then asked if the Council had a back-up plan if investments stopped delivering. The Corporate Director of Finance, Governance and Property responded that the Council were looking into additional funding streams, but other incomes such as fees and charges were only small compared to the investment income. He added that plan B of a council spending review was currently running alongside plan A, but had been accelerates due to the pandemic.

The Chair then queried how the funding gap would be met, and asked what the level of potential staffing redundancies would be. The Corporate Director of Finance, Governance and Property responded that this work was still in very early stages, but the size of the funding gap and the speed at which the pandemic was moving would not allow the Council to make permanent changes currently, as the consultation process was too long. He stated that the Council would continue to limit recruitment and maintain vacancy freezes, but there was likely to be a reduction in the number of posts at the Council. He added that the Council were also in the very early stages of asset review, which included putting together a catalogue of all council assets and challenging the use of the buildings, which included 60 operational buildings; 50 community assets; and 180 areas of land and other buildings.

Councillor Duffin stated that other Council's had also had to change their investment approach due to the pandemic. He stated that he felt disappointed due to some media reports regarding the investment approach, which had caused the Council to lose investment streams and therefore money for the frontline. He asked that all Members be aware of the facts before talking to any media outlets. Councillor Rice queried the overspend of the A13 and asked how this funding gap would be covered. The Corporate Director of Finance, Governance and Property responded that this topic would be covered in the Standards and Audit Committee, as well as Planning, Transport and Regeneration Overview and Scrutiny Committee. He added that any overspend on the A13 would not impact the budget in this financial year, and would only potentially start to have an impact in 2021/22. He added that currently the level of spend was within the original budget envelope, and was grant-backed through the South Essex Local Enterprise Partnership (SELEP). He stated that the Council had a contract with Kier to complete the works, even during the difficult COVID pandemic, and if necessary would seek additional funding through grants or private bodies. He commented that any outstanding balance on the scheme, if grants could not be found, would be paid for through capital receipts of prudential borrowing.

The Chair then queried the Investment Committee and asked if the Director could update the Committee on their work. The Corporate Director of Finance, Governance and Property replied that Councillor Hebb had invited group leaders to a meeting to discuss the Investment Committee and how this would be set up. He stated that the group had looked at the governance surrounding the new committee had it had largely been supported. He added that officers were currently looking at timescales, membership, the Terms of Reference, and any updates needed in the Constitution, but until this had been completed the Committee would run as a Shadow Committee comprised of the group leaders.

RESOLVED: That:

The Committee:

1. Commented on the assumptions and financial implications set out in the report.

22. Mid-Year/Quarter 2 (April-September 2020) Corporate Performance Report 2020/21

The Director of Strategy, Communications and Customer Service introduced the report and stated that 77% of key performance indicators (KPIs) had been on target for the period outlined the report, which included three KPIs that had been missed for the quarter one period. She added that COVID-19 continued to have an impact on some services, but the majority of services had adapted quickly and had been able to re-open. She commented that there may be an adverse direction of travel in quarter three, due to the current lockdown, but that a route to green was included for all KPIs which had missed target.

The Chair stated that there were currently thirty KPIs being monitored, and asked if this had decreased compared to last year due to COVID. The Director of Strategy, Communications and Customer Service replied that the team were currently unable to report on seven KPIs do the pandemic, but that the number of KPIs was reviewed and updated every year. The Chair then highlighted page 113 of the agenda and the KPI regarding tenant satisfaction, as he felt there was lots of work being undertaken to understand why the KPI had missed its target, rather than improvements. The Director of Strategy, Communications and Customer Service replied that the tenant satisfaction KPI did vary from quarter to quarter, but felt that tenants were more satisfied when they were received more information from the council and felt more engaged. She stated that the housing team were currently working to understand why this was, and that a number of detailed measures and questions were being put to tenants to expand the breadth of tenant consultation. She added that this KPI was monitored closely by the Housing Overview and Scrutiny Committee, but the service recognised the work it needed to do to engage with residents.

Councillor Duffin highlighted the KPI regarding the number of apprenticeships, but mentioned that he understood why the KPI had been missed due to the pandemic. The Director of Strategy, Communications and Customer Service replied that the quarter three report would include details and outcomes from the virtual apprenticeship event.

RESOLVED: That:

The Committee:

1. Notes and commented upon the performance of the key corporate performance indicators, in particular those areas which are off target and the impact of COVID-19.

2. Identified any areas which require additional consideration.

23. Work Programme

The Corporate Director of Finance, Governance and Property stated that the Corporate Overview and Scrutiny Committee in January would need to be moved to a later date, to ensure comments from January's Cabinet meeting could be discussed by the Committee. The Chair and Committee agreed to this strategy, and asked the Senior Democratic Services Officer to find a suitable alternative date.

The meeting finished at 9.09 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact Democratic Services at Direct.Democracy@thurrock.gov.uk

21 January 2021	ITEM: 6
Corporate Overview & Scrutiny Committee	
Draft General Fund Budget and Medium Term Financial Strategy Update	
Wards and communities affected: All	**Key Decision:** Key
Report of: Sean Clark, Corporate Director of Finance, Governance & Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director Corporate Finance	
Accountable Director: Sean Clark, Corporate Director of Finance, Governance & Property	
This report is public	

Executive Summary

This report presents the updated Medium Term Financial Strategy (MTFS) and draft budget proposals for 2021/22 and follows analysis of the support provided by the government from the Spending Review 2020.

The 2021/22 budget addresses both the ongoing impacts of the Covid-19 pandemic, the wider cost pressures arising from demand pressures and the decision to pause the investment strategy.

Following the Spending Review 2020, the underlying budget pressure has now been mitigated through a combination of identified savings, the anticipated but partial use of reserves and capital flexibilities as well as additional Covid-19 funding from the government. This also assumes that the full level of council tax increase, including the Adult Social Care precept, is agreed by the Council.

Officers had previously reported that the approach for 2021/22 was through a series of savings and one off interventions. Members should note that this results in underlying base pressures being carried forward into 2022/23 and 2023/24. Whilst significant savings have been identified for these latter two years, the deferment of pressures from 2021/22 means that the remaining gaps stand at £14.838m and £10.511m in 2022/23 and 2023/24 respectively.. This will require further action by Members to move the Council back to a financially sustainable position.

The council has a statutory duty to set a balanced budget and the use of some of the council's reserves is required to achieve this for 2021/22, as has been previously reported.

The key consideration is the proposed council tax increase of 4.99%, which reflects the guidance issued by Central Government as part of the Spending Review announcements made on 23 November 2020, that comprises the general element of 1.99% with a further 3% Adult Social Care precept to fund increasing cost pressures within the service.

1. Recommendations:

1.1 That the Committee comments on the proposed council tax level with mind to the comments set out in this report; and

1.2 That the Committee comments on the draft budget as set out within this report to inform final budget proposals at Cabinet on 10 February 2021.

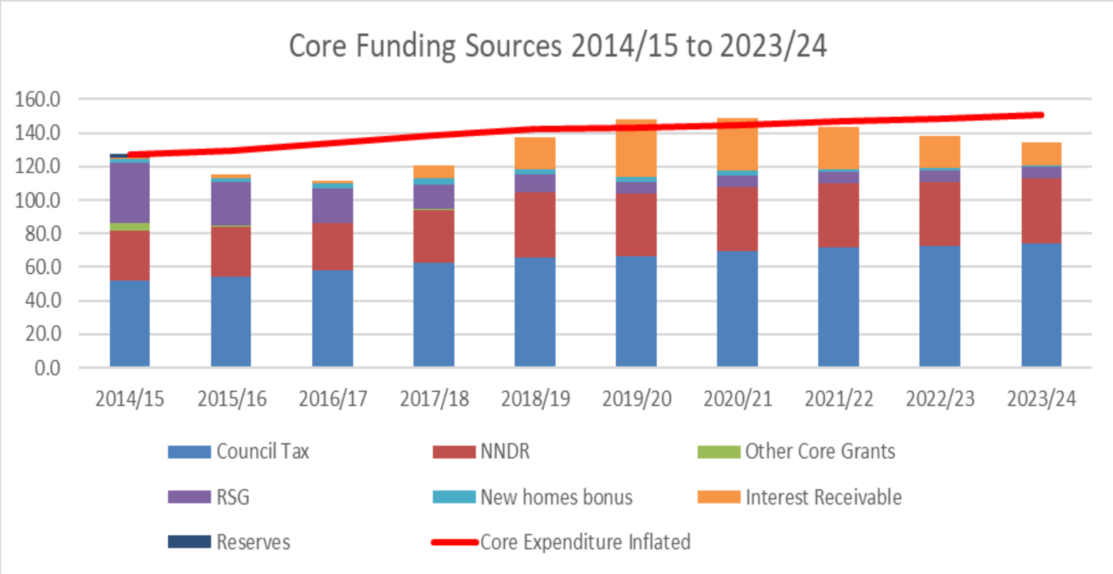
2. Introduction & Background

2.1. Before considering future years it is important to recognise any ongoing impacts from the current year. In 2020/21 Cabinet has received two update reports with the most recent reporting a net budget pressure of £2.672m. The main areas of risk continue to be within Children's Services, Homelessness and the wider Treasury position caused by a pause to the Investment Strategy. The position continues to be assessed and further Covid-19 funding from MHCLG is expected to contribute to closing the remaining gap to deliver the budget in 2020/21.

2.2. Members have also been presented with regular financial updates throughout the current financial year and the MTFS consistently showed a deficit of circa £34m over the three year period 2021/22 to 2023/24, with an initial £19.288m deficit in 2021/22. This was based on a number of assumptions including the financial impact of the Covid-19 pandemic and a pause to the investment strategy.

2.3. As the conditions for investments are not as they have been previously, the council has now paused entering into any new investments. As such, the MTFS in this report now reflects a position where no new investments occur and shows the need for an accelerated set of service reforms to reduce base line spending to address this loss of funding.

2.4. The graph below sets out how general fund expenditure has been financed since 2014/15 and projects through to 2023/24 highlighting the need to reduce net expenditure.



2.5. Another key change in the current MTFS is the impact of the recommendation to increase Council Tax by 4.99%, which includes a 3% increase specifically for Adult Social Care. This is in line with the MHCLG assumed increases to the Council's spending power as set out in the recent Local Government settlement.

2.6. Member priorities that were earmarked for spend against previously identified budget surpluses have now either been deferred, or cancelled altogether.

2.7. To date, a total of £5.656m has been identified through a combination of departmental efficiencies, a temporary suspension on recruitment to all non-essential vacant posts and a planned review of staff allowances.

2.8. This report reflects the funding announced by the Chancellor as part of the one-year spending review in November 2020 with detailed allocations to Thurrock Council confirmed on 17 December 2020. The Spending Review was a one-year review and only provided clarity over funding for the 2021/22 financial year - consequently there remains uncertainty over the funding in the subsequent two years. After reflecting the announced changes and a wider assessment of the underlying budget pressures, the budget deficit across the future three years is now £42.461m. This is based on the assumptions that maturing investments will not be replaced and is pending a Council decision on the recommended Adult Social Care precept.

3. Draft 2021/22 Budget and Future Forecasts

3.1. The detailed MTFS is included in Appendix 1. The overall financial position over the next 3 years shows a deficit before intervention of £42.461m.

3.2. The Table differentiates between fundamental underlying pressures and ongoing covid-19 related issues; resulting in core deficits of £12.936m and £6.352m respectively for 2020/21, a total of £19.288m.

3.3. The provisional Local Government Finance settlement for 2021/22 includes a calculation of Core Spending Power. It is highlighted that this includes an assumption that councils will maximise council tax receipts and this spending power will form the base when government sets out the next Comprehensive Spending Review – financial support to local government – in 2021. The main points to note are:

- The central government assessment of Council spending power assumes a general Council tax increase of 1.99% is applied by all authorities;
- For upper tier and unitary authorities, the central government assessment of Council spending power assumes a further Adult Social Care precept of 3% is also agreed to meet the pressures in the sector in 2021/22;
- The settlement confirms that an inflationary uplift will not be applied to the Business Rates Multiplier in 2021/22. Local authorities will be compensated for this lost income by central government for the calculated amount;
- The Social Care grant has increased by £0.8m;
- The Revenue Support Grant has increased by £0.080m; and
- A Covid-19 general support grant totalling £4.853m will be available for 2021/22 only.

3.4. The impact of Covid-19 has resulted in the following key movements:

- Local Funding – the projected movement in the financial funding from Council Tax and Business Rates equates to £2.242m. This includes assumptions on the brought forward collection fund deficits and increases in the number of properties eligible under the local council tax scheme from the current year. This remains subject to the wider economic impacts of the pandemic, and projections have been revised down through the year, mainly due to furlough schemes providing a degree of income security for residents affected by the pandemic; and
- Additional ongoing costs and loss of income – additional pressures and further income losses total £4.111m.

3.5. As previously reported, the Council's investment strategy has been paused with a projected impact of £18.927m over the life of the 3 year MTFS. This includes both cash and capital investments and hence the associated targets have been removed pending further consideration. No provision has been made to replace maturing investments and so the MTFS also reflects phased reductions in investment income. Also reflected is the increased cost of PWLB borrowing which has been used to replace short term funding in 2020/21 and includes an expectation that this will continue across the life of the MTFS, albeit that is a lesser figure when comparing the impact of pausing the approach.

3.6. The impact in 2021/22 has been assessed and initial actions have been identified to reduce the projected financial gap from £19.288m to a balanced position as set out in Appendix 1. This includes the one-off use of reserves (£3.300m) and capital receipts generated from the sale of council owned assets (£3.000m). Further action will be vital to ensure the remaining gap is addressed in future years and to identify sustainable long-term solutions.

3.7. Appendix 2 translates the 2021/22 MTFS position to an indicative directorate budget.

3.8. Indicative savings for 2021/22 have been identified in the following key areas in consultation with relevant Portfolio Holders:

Directorate	**Proposal**	**2021/22 Saving £000's**
Environment, Highways & Counter Fraud	Savings from initial service review.	287
Environment, Highways & Counter Fraud	New Counter Fraud income	450
Environment, Highways & Counter Fraud	Efficiencies	19
Council-wide	Suspension to recruitment for non-essential posts	4,000
Council-wide	Reduction in postage/printing/stationery	100
Council-wide	Review of staff allowances above baseline contract conditions (Phase 2 Pay Review)	800
	Total	**5,656**

3.9. Officers from relevant departments continue to work closely to ensure targets are achievable and within the required timescales. Proposed changes to staff allowances were part of the new collective agreement that supported the pay review and are subject to ongoing discussions with Trade Unions.

3.10. Proposed savings in relation to the recruitment freeze will be considered as part of the detailed budget setting process, with front line delivery and service impact being considered.

3.11. Spending Review updates: There remains uncertainty over the wider economic impacts of the pandemic and the level of further financial support available to local authorities via central government. This continues to be monitored and updates to the MTFS will be made to reflect the updated assessment of this position.

4. Council Tax and Future Funding

4.1. Members will be aware that Thurrock Council has the lowest council tax in Essex and one of the lowest of all unitary authorities throughout the country. For example, residents in Thurrock Band D properties pay circa £100 per annum less than residents in Band D properties in Southend-on-Sea and circa £265 less than residents in Band D properties in neighbouring Basildon. Officers' advice is clear that council tax increases are essential in 2021/22 to ensure that the council can continue to fund the delivery of core services. Whilst this has always been the advice, maximising council tax increases is now even more important considering both the impact of Covid-19 and the pause to the Investment Strategy.

4.2. Whilst the Adult Social Care precept is required to provide much needed additional funding, the amount raised by Thurrock Council will be comparatively lower than the majority of top tier authorities as the Council has not maximised council tax increases up to the level indicated by Central Government in previous years.

4.3. It is now critical to provide this additional financial resilience in future years to mitigate the identified budget shortfalls currently identified. This recommendation will be reflected in the Corporate Director of Finance, Governance & Property's Section 25 statement and is a key consideration for Members at the council meeting on 24 February 2021.

4.4. Corporate Overview and Scrutiny Committee considered a report on the Local Council Tax Scheme (LCTS) at their meeting on 8 September 2020 that set out the council's intention of going out to consult on changes to the scheme for 2021. Officers, in consultation with the Portfolio Holder for Finance, made the decision not to consult on changes due to the challenges and uncertainty that Covid-19 has created, namely: the impact of any additional government support to both LCTS and Universal Credit claimants; the ability to carry out a meaningful consultation when responders cannot be clear of all contributing factors; and a wide-spread approach to not making changes at this time that would add to uncertainty for claimants. As such, the council will be asked to endorse the existing scheme.

4.5. The budget deficit for 2022/23 and 2023/24 total £25.349m. The interim measures taken have provided the additional time required to implement the further actions and reforms to services to reduce the underlying base budget and create a sustainable MTFS.

4.6. The MTFS now reflects all known and confirmed funding from central government in 2021/22. There is no certainty beyond the 2021/22 funding settlement and further action has to be based on the only realistic assumptions that can be made for the subsequent two years. This includes inflationary increases to core funding streams as well as the removal of the Covid-19 specific grants. There is no indication of additional funding beyond this and the wider economic position suggests this will remain the position.

4.7. Officers will continue to develop the savings plans required to mitigate the budget gap in 2022/23 in the first instance. Members should not underestimate the difficulties the council now faces in delivering the required savings and the lead in time required – as such, decisions will be required early in 2021.

4.8. In the context of the impact of Covid-19 on public finances, Local Authorities will be required to contribute to the wider sustainability of public finances. It is clear that further significant decisions will be required early in 2021/22 to deliver a sustainable MTFS, Cabinet has provided direction to retain existing commitments on funding police services, and to preserve, as best as possible under constrained budget challenges, Clean-It, Cut-It, Fill-It.

Remaining Considerations

4.9. The methodology for the allocation of funding to local government bodies remains under review. The Fair Funding review may progress in 2021/22 but is more likely to be pushed back until 2022/23. As part of this it remains an assumption that separately identified ring fenced grants, such as the Public Health Grant, will be absorbed into mainstream funding.

4.10. Similarly, the proposed changes to the current business rates system and the move to 75% retention is now likely to be deferred until 2023/24. As such, the council is only able to assume inflationary uplifts to the business rates precept in the MTFS. As previously noted the introduction of this system will potentially increase the underlying level of financial risk faced by the council.

4.11. Work is ongoing in support of the Thames Freeport bid, which may have an impact on NNDR levels into the future.

4.12. Cabinet has allocated £1m from a specific reserve to fund the Stage 3 Local Plan effort and will receive a paper on TRL in due course. All such work could lead to permanent baseline increases.

4.13. The following table highlights the specific financial impact of a 1% increase on Council tax per annum/per household:

Band	Band Charge	Properties		Average Net Charge	Average 1% Increase p.a.
		No.	%		
A	£1,035.48	7,482	10.9%	£630.68	£6.31
B	£1,208.06	13,703	19.9%	£937.75	£9.38
C	£1,380.64	27,240	39.6%	£1,191.52	£11.92
D	£1,553.22	12,538	18.2%	£1,428.09	£14.28
E	£1,898.38	4,760	6.9%	£1,802.39	£18.02
F	£2,243.54	2,246	3.3%	£2,182.16	£21.82
G	£2,588.70	830	1.2%	£2,535.36	£25.35
H	£3,106.44	49	0.1%	£2,178.66	£21.79
TOTALS		**68,848**	**100.0%**	**£1,186.96**	**£11.87**

4.14. For over 70% of residents, each additional 1% increase in council tax equates to an average of 20 pence per week or £10.33 per annum. The additional funding raised will be applied to a wide range of services, including Children's and Adults' social care that work with the most vulnerable members of the community.

4.15. Having considered all of the above, the Corporate Overview & Scrutiny Committee is asked to comment on the budget and the recommended 1.99% general council tax increase and 3% Adult Social Care increase.

5. Reserves Position

5.1. Members will be aware that, like many other authorities, the partial use of reserves was anticipated soon after the impacts (direct and indirect) of Covid-19 became clearer.

5.2. The council's reserves position has become far more resilient since 2016, as a result of the investment approach. In 2016, the council's General Fund Balance sat at £8m. Comparing that to now, the General Fund Balance sits at £11m, a Social Care Reserve of £1.5m has been created to help manage market volatility during the pandemic, a Financial Resilience Reserve of £6m has been built up and a General Reserve of £5.5m exists to support the council against pressures. A total of £24m. Both of these latter reserves have been built to provide additional security from any financial fluctuations the council may experience and were built from investment income and deferred Member priorities, which were paused when the pandemic took hold, and allocated for use to manage the pressures which were forecast as a result of the pandemic.

5.3. The Covid-19 pandemic has led to direct and indirect pressures and fluctuations. As such, a partial use of reserves is forecast for the 2021/22 budget - an allocation of £3.3m is to be used from the General Reserve, thus maintaining levels within the General Fund Balance, Financial Resilience Reserve and Social Care Reserve.

5.4. Members should note that the use of reserves enables a one-off stimulus. Reserves cannot be used for sustainable spending needs and, as such, Members are reminded of the need to reform services for a sustainable medium/long term cost base.

6. Issues, Options and Analysis of Options

6.1. This report sets out the changes from the current 2020/21 budget that are proposed for 2021/22. The impact on service delivery, particularly as a result of the proposed recruitment freeze, will be closely monitored throughout the year to ensure essential front line are provided to the required level.

6.2. A maximum council tax increase will always be recommended by officers as the Government’s Core spending power calculations and Comprehensive Spending Review will assume the council has fully utilised resource from its ability to general resource locally. The Government will not subsidise any income foregone, thus any increase applied which is lower than the maximum level will continue to impact on the Council’s resources in all future years.

6.3. The report also sets out the identified deficits over the three-year period of the MTFS. It is critical that Members and officers continue to work to identify further mitigating action and carry out service review processes across a number of areas.

7. Reasons for Recommendation

7.1. The Council has a statutory duty to set a balanced budget annually and to review the adequacy of its reserves. This report sets out a balanced budget for 2021/22 that includes the planned use of £3.3m of general reserves.

8. Consultation (including Overview and Scrutiny, if applicable)

8.1. The budget planning governance structure includes involvement and consultation with officers, Portfolio Holders and Members.

9. Impact on corporate policies, priorities, performance and community impact

9.1. There are increases to frontline services where pressures have been identified in the current year that will help the council to deliver its statutory services to the most vulnerable members of the community.

10. Implications

10.1. Financial

Implications verified by:	**Sean Clark**
	Corporate Director of Finance, Governance & Property

The financial implications are set out in the body of the report and the appendices. The report sets out a balanced budget for 2021/22 on the basis that proposed funding decisions and actions to deliver savings are agreed by Members.

Members should note that the actions set out do not address the underlying budgets issues in subsequent years. Further savings will be required in addition to those identified to date. Given the significant funding gaps that remain it is essential the Council supports the further measures required to create a sustainable MTFS and in a timely fashion that recognises the lead in time that significant savings require.

10.2. Legal

Implications verified by:	**Ian Hunt**
	Assistant Director, Law and Governance and Monitoring Officer

There are no specific legal implications set out in the 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.

10.3. **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development and Equalities

There are no specific diversity and equalities implications as part of this report. A Community and Equality Impact Assessment (CEIA) has been completed for council tax increases.

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

There are no other implications arising directly from this update report.

11. 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):

There are various working papers retained within the finance and service sections.

12. Appendices to the report

Appendix 1 - Medium Term Financial Strategy

Appendix 2 –Indicative Service Budget impact

Report Author

Sean Clark

Corporate Director of Finance, Governance and Property

Appendix 1 - Medium Term Financial Strategy

Narrative	2021/22 £000's			2022/23 £000's	2023/24 £000's
	Non Covid	*Covid*	*Total*		
Council Tax Position	(1,301)	2,191	890	(1,081)	(1,500)
Business Rates Position	(395)	51	(345)	(51)	(665)
Government Resources Position	202	0	202	797	784
Net Additional (Reduction) in resources	**(1,495)**	**2,242**	**746**	**(335)**	**(1,381)**
Inflation and other increases	5,714	0	5,714	4,515	4,665
Treasury	6,758	0	6,758	7,221	4,948
Corporate Growth	1,959	3,022	4,981	2,314	2,314
Commercial Income	0	1,089	1,089	(1,089)	0
Internal Position	**14,431**	**4,111**	**18,542**	**12,961**	**11,927**
Core Budget Deficit before intervention	**12,936**	**6,353**	**19,288**	**12,626**	**10,546**
Savings Departmental	(756)	0	(756)	(3,341)	(1,635)
General Staffing	(4,800)	0	(4,800)	(100)	(2,000)
Cross Cutting	(100)	0	(100)	(1,250)	(200)
Wider Funding	0	0	0	(250)	(200)
Internal Core Budget Savings	**(5,656)**	**0**	**(5,656)**	**(4,941)**	**(4,035)**
Core Budget Deficit Position	**7,280**	**6,353**	**13,632**	**7,685**	**6,511**
Additional Core Budget Savings					
Adult Social Care Precept 3%	(980)	(1,500)	(2,480)	0	0
11. Other funding (not affecting baseline)					
Utilisation of Capital Receipts	(3,000)	0	(3,000)	3,000	0
Use of reserves 2021/22	(3,300)	0	(3,300)	3,300	0
Capital receipts 2022/23	0	0	0	(2,000)	2,000
Use of reserves 2022/23	0	0	0	(2,000)	2,000
Covid Grant	0	(4,853)	(4,853)	4,853	0
	(6,300)	**(4,853)**	**(11,153)**	**7,153**	**4,000**
Overall Budget Working Total	**0**	**0**	**0**	**14,838**	**10,511**

Appendix 2 - **Indicative** Service Budget impact

Directorate	2020/21 Revised budget	Council Tax charge 2%	Council Tax Social Care precept 3%	Business Rates Precept	Social Care Grant	Inflation	Treasury & Central Financing	Social Care Growth	Savings	Income loss contingency	Other Grants	Capital receipts	Use of reserves	Indicative Base Budget 2021/22
Adults, Housing and Health	43,513	0	0	0	0	2	0	2,500	(10)	0	0	0	0	46,005
Central Financing	(118,030)	(1,653)	(2,480)	(500)	0	0	3,800	0	0	0	(200)	0	0	(119,064)
Children's Services	40,648	0	0	0	(800)	2	0	1,814	(7)	0	0	0	0	41,657
Commercial Services	988	0	0	0	0	0	0	0	(250)	0	0	0	0	738
Corporate Costs	(1,202)	0	0	0	0	4,866	100	0	(4,400)	1,320	(5,084)	(3,000)	(2,783)	(10,183)
Environment & Highways and Counter Fraud	30,714	0	0	0	0	759	0	0	(765)	0	0	0	0	30,708
Finance, Governance and Property	17,672	0	0	0	0	65	0	0	(70)	0	0	0	0	17,667
Housing General Fund	1,817	0	0	0	0	19	0	0	(0)	0	0	0	0	1,836
HR, OD and Transformation	5,145	0	0	0	0	0	0	0	0	0	0	0	0	5,145
Place	5,356	0	0	0	0	1	0	0	(3)	0	0	0	0	5,354
Strategy, Communications & Customer Services	3,175	0	0	0	0	0	0	0	0	0	0	0	0	3,175
Treasury	(29,794)	0	0	0	0	0	6,758	0	0	0	0	0	0	(23,037)
Grand Total	**0**	**(1,653)**	**(2,480)**	**(500)**	**(800)**	**5,714**	**10,657**	**4,314**	**(5,506)**	**1,320**	**(5,284)**	**(3,000)**	**(2,783)**	**0**

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21 January 2021	ITEM: 7
Corporate Overview and Scrutiny Committee	
Capital Strategy 2021/22	
Wards and communities affected: All	**Key Decision:** Yes
Report of: Sean Clark, Corporate Director of Finance, Governance and Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director - Finance	
Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property	
This report is public	

Executive Summary

The Capital Strategy sets out the strategic framework underpinning capital expenditure and the associated financing at the Council. It also includes the Treasury Management Strategy. These are set in accordance with revised guidance contained in The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services and the Prudential Code (The Code). The strategy continues to support the Council's ambitions through the ongoing investments which create revenue returns which can then be allocated to spending on the services for Thurrock residents.

The Code requires local authorities to determine the Capital Strategy and the associated Prudential Indicators on an annual basis. The annual strategy also includes the Treasury Management Strategy that is a requirement of the Ministry for Housing, Communities and Local Government Investment Guidance.

In accordance with the above Codes, this report:

a) sets out the Capital strategy for 2021/22;

b) confirms the proposed Prudential Indicators; and

c) sets the Capital and Treasury Management projections for 2021/22.

1 Recommendation(s)

1.1 **That the Corporate Overview and Scrutiny Committee comment on the 2021/22 Capital Strategy for consideration by Cabinet at their meeting on 10 February 2021.**

2 Introduction and Background

2.1 The Capital Strategy and the Annual MRP Statement are prepared under the terms of the CIPFA Prudential Code for Capital Finance in Local Authorities (the Code) and approval is sought for the adoption of the Prudential Indicators that have been developed in accordance with the Code.

2.2 The report also includes a forecast for Interest Receivable from Investments and the indicative Interest Payable on Borrowing.

2.3 The report covers a range of areas as set out below with the detailed document attached at Appendix 1.

Borrowing Activity

3 Issues, Options and Analysis of Options

3.1 The Capital strategy of the Council is attached as an appendix to this report and has been set with consideration of relevant legislation and appropriate guidance. This includes Annex 1 which incorporates the Treasury Management Strategy. The Prudential Indicators are governed by decisions made on the revenue and capital budgets.

3.2 The Capital Strategy sets out a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It includes the following:

- Details of capital expenditure and financing;
- The governance arrangements around the identification and approval of capital bids;
- Details on the sources of funding and projections on capital receipts;
- The strategic approach of the Council to borrowing and the governance arrangements in place;
- The proposed prudential indicators for 2021/22;
- Details of the Council's strategic approach to investments and commercial activities;
- Details of other liabilities and revenue implications arising from this strategy; and

- A further annex containing the detailed treasury management strategy that supports the capital strategy. This includes the annual statement on the Minimum Revenue Provision.

3.3 There are two key areas in this report for Members to be particularly mindful of:

a) The Council has held significant levels of temporary borrowing since 2010 and hence there is potential exposure to interest rate changes and availability of funding. Officers continue to monitor this and react as necessary to any changes in the economy; and

b) The approach taken to the Minimum Revenue Provision (as set out in Annex 1).

4 Reasons for Recommendation

4.1 There is a statutory requirement for the Capital Strategy and the Annual Minimum Revenue Provision Statement to be ratified by Full Council. This report and appendices have been written in line with best practice and the Council's spending plans

5 Consultation (including Overview and Scrutiny, if applicable)

5.1 As set out in this report, the Capital Strategy is largely based on best practice and the Council's spending plans.

5.2 Any comments from the Corporate Overview and Scrutiny Committee will be reported to Cabinet for their consideration.

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

6.1 Treasury Management plays a significant role in funding the delivery of services to the community. The debt restructuring carried out in August 2010 will have contributed savings in the region of £32.3m by the end of 2020/21 and Investment activity has contributed some £90m over the last four years.

7 Implications

7.1 Financial

Implications verified by: **Chris Buckley**

Treasury Management Officer

The financial implications are included in the main body of the report and appendix. Investment income generated from the Investment Strategy contributes significantly to the council's financial position.

7.2 **Legal**

Implications verified by: **Ian Hunt**

Assistant Director Law and Governance and Monitoring Officer

The report is in accordance with the Local Government Act 2003, related secondary legislation and other requirements including the Prudential Code.

Publication of the strategies is a statutory requirement and conforms to best practice as required by the CIPFA Code of Practice.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development and Equalities

There are no direct diversity implications noted in this report

7.4 **Other implications (where significant) –** i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

- Not applicable

8 **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):

- Revised CIPFA Prudential Code
- Revised draft ODPM's Guidance on Local Government Investments
- Revised CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes
- Treasury Management Policy Statement
- Investment Strategy
- Treasury sector Briefings

9. Appendices to the report

- Appendix 1 – Capital Strategy Report 2021/22
- Annex 1 – Treasury Management Strategy 2021/22

Report Author:

Chris Buckley
Senior Financial Accountant
Corporate Finance

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Appendix 1 - Thurrock Council

Capital Strategy Report 2021/22

Introduction

This capital strategy is a refreshed report for 2021/22, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or build assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10k are not capitalised and are charged to revenue in year.

In 2021/22, the Council is planning capital expenditure of £174.335m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £m

	2019/20 actual	**2020/21 forecast**	**2021/22 forecast**	**2022/23 forecast**	**2023/24 forecast**
General Fund services	77.742	116.704	142.821	58.134	15.896
Council housing (HRA)	28.657	29.692	31.514	18.435	16.390
Capital investments	101.244	25.567	0	0	0
TOTAL	**202.643**	**171.963**	**174.335**	**76.569**	**32.286**

The main General Fund capital projects include the widening of the A13, Stanford Le Hope Interchange, Purfleet and Grays redevelopment, Highways Infrastructure Improvements, Provision of Care Home, Integrated Medical Centres, school expansions and ICT improvements.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes expenditure over the following 3 years of £64m including £30.9m for transforming homes and £17m for tower block refurbishments.

There are no planned capital investments from 2021/22 onwards following an agreed pause to the investment strategy.

Governance: Service managers bid annually in September to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). The bids are then collated and prioritised by either Property Board, Digital Board or the Service Review Board. The proposed programme is then considered by Directors' Board. This includes a final appraisal of all bids including final consideration of service priorities and financing costs. The final proposed capital programme is then collated and reported with recommendations to the Corporate Overview and Scrutiny committee. The final capital programme is then presented to Cabinet and to Council in February each year as part of the overall budget setting process.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £m

	2019/20 actual	**2020/21 forecast**	**2021/22 forecast**	**2022/23 forecast**	**2023/24 forecast**
External sources	51.808	67.238	20.516	47.740	11.200
Own resources	23.554	20.949	10.540	10.540	10.540
Debt	127.281	83.776	143.279	18.289	10.546
TOTAL	**202.643**	**171.963**	**174.335**	**76.569**	**32.286**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as the Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance and repayments of investments on maturity will repay the associated debt. Planned MRP and use of capital receipts are as follows:

Table 3: Minimum Revenue Provision in £m

	2019/20 actual	**2020/21 forecast**	**2021/22 forecast**	**2022/23 forecast**	**2023/24 forecast**
Own resources	5.980	7.206	7.514	10.837	11.654

The Council's full MRP statement is included in the treasury management statement appended as an annex to this document.

The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £134.759m during 2021/22. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £m

	31.3.2020 actual	**31.3.2021 forecast**	**31.3.2022 forecast**	**31.3.2023 forecast**	**31.3.2024 forecast**
General Fund services	195.496	237.905	351.690	351.248	344.289
Council housing (HRA)	191.291	200.157	221.131	229.025	234.876
Capital investments	940.099	965.666	945.666	945.666	902.090
TOTAL CFR	**1,326.886**	**1,403.728**	**1,518.487**	**1,525.939**	**1,481.255**

Asset management: To ensure that capital assets continue to be of long-term use, the Council has undertaken a detailed asset review in 2020/21 and the use of assets is being considered alongside the delivery of corporate priorities.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive capital receipts (total includes both GF and HRA receipts) in the coming financial year as follows:

Table 5: Capital receipts in £m

	2019/20 actual	**2020/21 forecast**	**2021/22 forecast**	**2022/23 forecast**	**2023/24 forecast**
Asset sales	8.034	0.930	5.000	3.000	3.000
Loans repaid	0.039	0.041	0.043	0.045	0.047
TOTAL	**8.073**	**13.737**	**10.039**	**10.041**	**10.043**

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

The Council currently has £1.448bn borrowing at an average interest rate of 2.51% and £21m treasury investments at an average rate of 0.07%.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.35%) and long-term fixed rate loans where the future cost is known but higher (currently 0.95% to 1.61%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £m

	31.3.2021 forecast	31.3.2022 forecast	31.3.2023 forecast	31.3.2024 forecast
Debt (incl. PFI & leases)	1,418.89	1,500.55	1,520.60	1,437.57
Capital Financing Requirement	1,403.73	1,518.49	1,525.94	1,481.26

Statutory guidance is that debt should remain below the capital financing requirement over the medium to long term but can be over for the short term recognising borrowing requirements ahead of need for future capital expenditure. As can be seen from table 6, the Council complies with this requirement.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2020/21 Forecast	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit – borrowing	1,683.963	1,600.548	1,620.597	1,537.573
Authorised limit – PFI and leases	0.000	0.000	0.000	0.000
Authorised limit – total external debt	1,683.963	1,600.548	1,620.597	1,537.573
Operational boundary – borrowing	1,583.963	1,500.548	1,520.597	1,437.573
Operational boundary – PFI and leases	0.000	0.000	0.000	0.000
Operational boundary – total external debt	1,583.963	1,500.548	1,520.597	1,437.573

Further details on borrowing are contained in the treasury management strategy as annex 1 on this report.

Investment strategy:

The Council's policy on treasury investments is to prioritise security and liquidity over yield - that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Further details on treasury investments are contained in the treasury management strategy as annex 1 to this report.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance, Governance and Property and staff, who must act in line with the treasury management strategy approved by Full Council.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	60%	0%
10 years and within 40 years	60%	0%
Over 40 years	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Investments for Service Purposes

The Council can make investments to assist local public services, including making loans to and buying shares in local service providers, local small businesses to promote economic growth, the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Corporate Director of Finance, Governance and Property and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on service investments are contained in the treasury management strategy in annex 1 to this report.

Commercial Activities

With central government financial support to local public services declining, the Council decided to investigate various options to increase income and has subsequently made investments in line with the principles set out in the Council's Investment Strategy.

To this end on 20 November 2018 a Long Term Investment Strategy was taken to the Corporate Overview and Scrutiny Committee outlining the Council's approach to Service/Non-Treasury/Commercial Investments rather than the standard treasury investments. The report outlined the key principles involved, governance arrangements and the considerations required to ensure investments are thoroughly scrutinised before completion.

In 2020/21 the investment strategy has been paused and consequently there is no forecast activity included in the capital strategy.

Liabilities

In addition to debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £158.9m at 31 March 2020). It has also set aside £6.466m to cover risks including business rates appeals and insurance claims.

Governance: Decisions on incurring new discretional liabilities are taken by service managers in consultation with Corporate Finance and, where appropriate, the Corporate Director of Finance, Governance and Property. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of net financing income to net revenue stream

	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget
Financing costs (£m)	16.947	19.517	21.255	35.955
Proportion of net revenue stream	14.5%	16.8%	18.2%	30.5%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend into the future. The Corporate Director of Finance, Governance and Property is satisfied that the proposed capital programme is prudent, affordable and sustainable as set out annually in the s25 statement accompanying the setting of the annual budget.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Corporate Director of Finance, Governance and Property is a qualified accountant with 34 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), AAT & ACCA.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Annex 1 - Treasury Management Strategy 2021/22

The Treasury Management Strategy is a critical component of the way Thurrock Council manages cash-flow. It also supports the management of investments and borrowing to enable the net revenue returns to be allocated to spending on the services for Thurrock residents.

Treasury risk management at the Council is conducted within the framework of CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

In accordance with the above Codes, this report:

a) sets out the Treasury Management strategy for 2021/22; and

b) sets out the Treasury Management projections for 2021/22.

2 Introduction and Background

2.1 The Treasury Management Strategy and Annual MRP Statement are prepared under the terms of the CIPFA Prudential Code for Capital Finance in Local Authorities (the Code).

2.2 The report also includes a forecast for Interest Receivable from Investments and the indicative Interest Payable on Borrowing.

Borrowing Activity 2020/21 to 2022/23

2.3 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with the level of balances and reserves, are the core drivers of Treasury Management activity. The estimates, based on the current revenue budget and capital programmes are:

	31/3/2021 Estimate £m	**31/3/2022 Estimate £m**	**31/3/2023 Estimate £m**
General Fund Borrowing CFR	237.905	351.690	351.248
Housing Revenue Account Borrowing CFR (includes effects of Housing Finance Reform based on current available figures)	200.157	221.131	229.025
Capital Investments	965.666	945.666	945.666
Total Borrowing CFR	1,403.728	1,518.487	1,525.939

Less: External Borrowing	1,418.889	1,500.540	1,520.600
Under/(Over) CFR	(15.161)	17.947	5.340

2.4 The increases above reflect the increases to the council's capital programme. Repayments of prudential debt are made through the annual Minimum Revenue Provision (MRP) and where surplus cash balances are accumulated. However, where the amounts needed to finance the capital programme, even just essential operational requirements, are in excess of these repayments this leads to an annual increase in net debt.

2.5 The Council's levels of borrowing and investments are calculated by reference to the balance sheet. The Council's key objectives when borrowing money are to secure low interest costs and achieve cost certainty over the period for which funds are required, all underpinned with sound Return on Investment principles. A further objective is to provide the flexibility to renegotiate loans should the Council's long term plans change.

2.6 In light of the ongoing reductions to Local Government funding, the Council's focus of the treasury management strategy remains on the balance between affordability and the longer term stability of the debt portfolio. Subject to the availability of low short term interest rates it remains cost effective to borrow over short term periods or utilise internal balances.

2.7 Where available this further enables the Council to reduce borrowing costs and hence the overall treasury management risk. While this strategy is beneficial over the next year or two as official interest rates remain low, this depends on the availability of this funding means this will be supplemented by PWLB borrowing which will provide the balance of the funding. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long term borrowing rates are forecast to rise. This will help inform whether the Council borrows additional sums at long term fixed rates in 2021/22.

2.8 In addition, the Council expects this will be supplemented by wider borrowing to enable the management of the Council's cash flow.

2.9 The Council will keep under review the following sources for long term and short term borrowing:

- Public Works Loan Board (PWLB) loans and its successor body;
- UK Local Authorities;
- Any institution approved for investments;
- Any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK;
- Public and private sector pension funds;
- Capital market bond investors;
- UK Municipal Bonds Agency;
- Special purpose companies created to enable joint local authority bond issues;
- Local Authority bills; and
- Structured finance, such as operating/finance leases, hire purchase, Private Finance Initiative or sale and leaseback.

2.10 With regards to debt rescheduling, the PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some lenders may also be prepared to negotiate premature repayment terms. The Council has in 2020/21 reviewed the debt portfolio to identify opportunities expected to lead to an overall saving or reduction in risk. At this time, it is not financially prudent to take any options of early repayment, owing to early redemption fees.

2.11 Borrowing and rescheduling activity will be reported to the Cabinet on a regular basis during 2021/22.

2.12 In August 2010 the Council repaid its entire PWLB portfolio of loans (£84 million) to obtain significant interest savings. The re-financing was undertaken by utilising short term funds from the money markets, mainly other Local Authorities, at substantially lower rates than taking longer term fixed debt. To the end of 2019/20 the rescheduling had saved £29.3m of interest costs and is estimated to have saved £32.3m by the end of 2020/21. Currently financing from short term money market debt is expected to continue, where available, into 2021/22 and beyond. The inherent risk of this strategy is noted with potentially higher rates and increased debt costs in the future.

2.13 The Council retains the ability to fix interest rates. This can be achieved within a matter of days of the decision being made or profiled against the maturity schedule of the short term debt. The current base rate stands at 0.10% with short term rates standing at between 0.10%-0.40% and it is estimated that it will remain there or even move lower during 2021/2022. The future course of interest rates largely depends on macroeconomic factors such as, for example, the ongoing impact of Brexit and the Government's handling of the Pandemic so future interest rate estimates are difficult at this point in time. The PWLB recently cut the rate of interest on new loans by 1%, so current PWLB rates range from 0.80% to 1.61%. However, even if the base rate increases to 0.75% this will still be below the level of current long term rates that the Council could borrow at. In addition, as the Council borrows from other public bodies, rates are not fixed to the bank base rate and are generally lower. The normalised level of the bank base rate post this period is expected to be between 2.50% to 3.50%.

2.14 Based on this outlook, the council may borrow on a short term basis when deemed beneficial to the taxpayer while monitoring interest rates to ensure borrowing is fixed if required. Prudently, the Medium Term Financial Strategy (MTFS) does assume rate increases over the three year period.

2.15 The Council has £29 million of loans which are LOBO loans (Lenders Option Borrowers Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these loans, excluding one with Barclays, could now be amended at the request of the lender only and, although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. In the event the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan by borrowing from the PWLB or capital markets. Barclays have taken out the option to increase the rate of their loan thereby effectively turning the loan into a fixed rate deal. LOBO loans have become less attractive to Banks and there may be opportunities in the future to redeem these loans. Officers will continue to monitor any developments in this area.

2.16 On 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and Housing Revenue Account (HRA) pools. New long-term loans will be assigned in their entirety to one pool or the other. Interest payable and other costs and income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged or credited to the respective revenue account. The Council will credit interest to the HRA based on the average balances of its reserves and revenue account balance at the average 7 day LIBID rate for the year.

2.17 The Council continues to undertake a series of new housing related schemes utilising borrowing and the abolition of the Housing Debt Cap has increased the funding flexibility available to the Council to deliver its housing investment progress.

2.18 Finally, there may be significant regeneration programmes to consider investment vehicles for. The need to borrow for investment will be on a case by case basis after considering investment returns, risk and the result of due diligence.

Investments

2.19 The Council holds significant invested funds, representing loans received in advance of expenditure plus balances and reserves held. It is envisaged that investment balances held internally will be approximately £20 million at the financial year end. The Council may invest its surplus funds with any of the counterparties detailed in Appendix 1 to this Annex.

2.20 The Council holds a £103m investment in the CCLA Property Fund that is estimated to provide a gross return in 2020/21 of 4.25% with income in the region of £4.3m. The Council has also invested in a number of bonds of various durations since 2016/17 that provides finance to the private sector for, as an example, the purchase of solar farms, whilst providing significant net returns to the council to support front line services in a move towards financial sustainability.

2.21 Local Authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over Authorities use of standalone financial derivatives. The CIPFA code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

2.22 The Council will only use standalone derivatives (such as swaps, forward, futures and options) where they can be clearly demonstrated to reduce the

Council's overall exposure to financial risks. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall Treasury Management strategy.

2.23 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit. The Local Authority will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

2.24 The Authority has opted up to professional client status with its providers of financial services, including, banks, brokers and fund managers, allowing it access to a greater range of services, but, without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities the Corporate Director of Finance, Governance and Property believes this to be the most appropriate status.

2.25 The Council complies with the provisions of s32 of the Local Government Finance Act 1992 to set a balanced budget.

2.26 The needs of the Council's Treasury Management staff for relevant training are assessed as part of the annual staff appraisal process and additionally where the responsibilities of individual members of staff change. Staff attend courses, seminars and conferences provided by the Council's advisors and CIPFA. Corporate Finance staff are encouraged to study for professional accountancy qualifications from appropriate bodies.

2.27 Under the new IFRS standard the accounting for certain investments depends on the business model for managing them The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to accounted for at amortised cost.

Annual Minimum Revenue Provision Statement

2.28 Local Authorities are required to prepare an Annual Statement of their policy on making MRP for each financial year. Appendix 2 to Annex 1 outlines the assessment of the Council's Annual MRP Statement for 2021/22, which is included in the Annual Strategy in paragraph 2.30.

2.29 Officers have reviewed the current strategy and recommend no changes for the 2021/22 strategy.

2.30 Consequently the following paragraphs on Borrowing Activity and Investments form part of the Council's Treasury Management Strategy with effect from 1 April 2021:

2.30.1 To obtain any long term borrowing requirement from the sources of finance set out in paragraph 2.9;

2.30.2 To continue to fund the ex-PWLB debt via short term funds from the money markets unless circumstances dictate moving back into longer term fixed rate debt. The borrowing sources mentioned in paragraph 2.9 will then be assessed as to their suitability for use;

2.30.3 To repay market loans requiring renewal by realising equivalent amounts of investments. If it is not possible to realise investments then the borrowing sources in paragraph 2.9 will be assessed as to their suitability for use as replacements;

2.30.4 To undertake short term temporary borrowing when necessary in order to manage cash flow to the Council's advantage;

2.30.5 To reschedule market and PWLB loans, where practicable, to achieve interest rate reductions, balance the volatility profile or amend the debt profile, dependent on the level of premiums payable or discounts receivable;

2.30.6 To ensure security and liquidity of the Council’s investments and to then optimise investment returns commensurate to those ideals;

2.30.7 To contain the type, size and duration of investments with individual institutions within the limits specified in Appendix 1 to this Annex.;

2.30.8 To move further funds into the CCLA Property Fund or other externally managed funds if it is felt prudent to do so following appropriate due diligence; and in consultation with the Cabinet Member for Finance;

2.30.9 To meet the requirements of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the Council’s policy for the calculation of MRP in 2021/22 shall be that the Council will set aside an amount each year which it deems to be prudent and appropriate, having regard to statutory requirements and relevant guidance issued by DCLG. The Council will also consider the use of capital receipts to pay down any MRP incurred; and

2.30.10 To ensure all borrowing and investment activities are made with due reference to any relevant Prudential Indicators.

Interest Projections 2020/21 Revised and 2021/22 Original

2.31 The CIPFA document Treasury Management in the Public Services: Code of Practice places a requirement on the Council to publish estimates relating to the operation of the borrowing and investment function.

2.32 The 2020/21 budget and the projected position for 2020/21 as at November 2020 and also an initial projection for 2021/22 are shown in summary format in the table below:

	Budget 2020/21 £'000's	Projected 2020/21 £'000's	Projection 2021/22 £'000's
Interest payable on External Debt			
Debt Interest	16,851	17,439	19,421
Total internal interest	96	96	96
Interest payable	16,947	17,535	19,517
Investment Income			
Interest on Investments	(49,041)	(45,716)	(45,161)
Net interest credited to the General Fund	(32,094)	(28,181)	(25,644)
MRP- Supported/Unsupported Borrowing	7,906	7,206	7.514

2.33 It is noted that the figures shown above for 2021/22 include assumptions made about the level of balances available for investment, any anticipated new long term borrowing and the level of interest rates achievable. They may be liable to a significant degree of change during the year arising from variations in interest rates, other market and economic developments, and Council's response to those events.

2.34 In accordance with the requirements of the revised CIPFA Treasury Management Code, the Council will report on treasury management activity and the outturn against the treasury related Prudential Indicators at least bi-annually.

Approved Investment Counterparties:

Credit Rating	Banks/Building Societies Unsecured		Bank/Building Societies Secured		Government		Corporates		Registered Providers	
	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period
UK Govt	N/A	N/A	N/A	N/A	£unlimited	50 years	N/A	N/A	N/A	N/A
AAA	£10m	5 years	£20m	20 years	£20m	50 years	£10m	20 years	£10m	20 years
AA+	£10m	5 years	£20m	10 years	£20m	25 years	£10m	10 years	£10m	10 years
AA	£10m	4 years	£20m	5 years	£20m	15 years	£10m	5 years	£10m	10 years
AA-	£10m	3 years	£20m	4 years	£20m	10 years	£10m	4 years	£10m	10 years
A+	£10m	2 years	£20m	3 years	£10m	5 years	£10m	3 years	£10m	5 years
A	£10m	1 year	£20m	2 years	£10m	5 years	£10m	2 years	£10m	5 years
A-	£7.5m	13 months	£15m	13 months	£10m	5 years	£10m	13 months	£10m	5 years
BBB+	£5m	6 months	£10m	6 months	£5m	2 years	£5m	6 months	£5m	2 years
BBB	£5m	100 days	£10m	100 days	N/A	N/A	N/A	N/A	N/A	N/A
BBB-	£5m	100 days	£10m	100 days	N/A	N/A	N/A	N/A	N/A	N/A
None	£5m	6 months	N/A	N/A	£5m	25 years	N/A	N/A	N/A	N/A

Pooled Funds ,External Fund Managers and any other investment vehicle approved by the Section 151 Officer – Decisions are based on each individual case following appropriate due diligence work being undertaken.
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The above limits are the maximum that the Council would expect to have in place at any time. However, in practice the actual duration limits in place are continually assessed are often much shorter than the limits in the above table.

Credit ratings: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks and Building Societies Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks and Building Societies Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements. These investments are secured on the bank's assets, which limits the potential loss in the unlikely event of insolvency and means that they are exempt from bail-in. Where there is no investment specific credit rating, but, the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multi development banks. These investments are not subject to bail-in and there is an insignificant risk of insolvency. Investments with the UK Central government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but, are exposed to the risk of the company going insolvent.

Other Organisations – The Council may also invest cash with other organisations, for example making loans to small businesses as part of a diversified pool in order to spread the risk widely. Because of the higher perceived risk of unrated businesses such investments may provide considerably higher rates of return. The Council will also undertake appropriate due diligence to assist in all investment decisions.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Community Agency and as providers of public services they retain a high likelihood of receiving Government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of any of the above investment types plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks coupled with the services of a professional fund manager in return for a fee. Money market funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but, are more volatile in the short term. These allow authorities to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds have no defined maturity date but are available for withdrawal after a notice period. As a result their performance and continued suitability in meeting the authority’s investment objectives will be monitored regularly and decisions made on entering such funds will be made on an individual basis.

Risk assessment and credit ratings: Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made;
- Any existing investment that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade so that it may fall below the approved rating criteria then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but, can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the authorities cash balances then the surplus will be deposited with the UK Government via the Debt Management Office or invested in treasury bills for example or with other local authorities. This will cause a reduction in the level of investment income earned, but, will protect the principal sum.

Specified Investments

Specified investments will be those that meet the criteria in the CLG Guidance, i.e. the investment:

- is sterling denominated;
- has a maximum maturity of one year;
- meets the ‘’high credit quality’’ as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council; and
- The making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

The Council defines ‘high credit quality’ organisations and securities as those having a credit rating of BBB- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds ‘high credit quality is defined as those having a credit rating of A- or higher

Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares

Non-Specified Investment Limits

	Cash Limit
Total Long Term Treasury Investments	£450m
Total Investments without credit ratings or rated below A- with appropriate due diligence having been performed	£70m
Total Investments in foreign countries rated below AA+	£30m
Maximum total non-specified investments	£550m

Investment Limits

The maximum that will be lent to any one organisation in the Approved Investment Counter Party list (except the UK Government) is £20m.For other investments approved by the Section 151 Officer the amount to be invested will be determined by the Section 151 Officer, taking into account the relevant merits of the transaction such as, for example, duration and risk following due diligence work undertaken. A group of banks under the same ownership, a group of funds under the same management, brokers nominee accounts, foreign countries and industry sectors will all have limits placed on them as in the table below:

	Cash Limit
Any single organisation, except the UK Central Government	£20m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£40m
Any group of pooled funds under the same management	£50m
Any external Fund Manager	£750m
Negotiable instruments held in a brokers nominee account	£20m
Foreign countries (total per country)	£30m
Registered Providers in total	£30m
Building Societies in total (excluding overnight investments)	£40m
Loans to small businesses	£20m
Money Market Funds	£40m
Investments approved by the Section 151 Officer	Reviewed for each case

Liquidity Management

The Council maintains a cash flow spreadsheet that forecasts the Council's cash flows into the future. This is used to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a pessimistic basis, with receipts under estimated and payments over estimated to minimise the risk of the Council having to borrow on unfavourable terms to meet its financial commitments.

THE MINIMUM REVENUE PROVISION STATEMENT

Introduction:

The rules for Minimum Revenue Provision (MRP) were set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. These rules have now been revised by the Local Authorities (Capital Finance and Accounting (England) (Amendment) Regulations 2008.

Authorities are required to submit to a meeting of their Council an annual statement of their policy on making MRP.

Background:

Each year the Council borrows money in order to finance some of its capital expenditure. The loans taken out for this purpose, unlike a mortgage which is repaid in part each month, are fully repayable at a future point in time. The repayment date is chosen to secure the best financial result for the Council.

The concept of Minimum Revenue Provision was introduced in 1989 to prescribe a minimum amount which must be charged to the revenue account each year in order to make provision to meet the cost of repaying that borrowing.

The detailed rules and formulae to be used in the more recent method of calculation were laid down in the Regulations mentioned in the introduction section.

This system has now been radically revised and requires an annual statement to full Council setting out the method the Council intends to adopt for the calculation of MRP.

Considerations:

Under the old regulations Local Authorities were required to set aside each year, from their revenue account an amount that, in simple terms equalled approximately 4% of the amount of capital expenditure financed by borrowing. Local Authorities had no freedom to exercise any discretion over this requirement.

The amendment regulations introduce a simple duty for an authority each year to set aside an amount of MRP which it considers to be ‘prudent’. The regulation does not define a ‘prudent provision’ but the MRP guidance makes recommendations to authorities on the interpretation of that term.

The MRP guidance document is a statutory document and authorities are obliged by section 21 of the Local Government Act 2003 to have regard to such guidance. The guidance aims to provide more flexibility and in particular for development schemes it is possible to have an MRP “holiday” for assets or infrastructure under construction.

In addition, it is accepted that where there is capital expenditure that will give rise to a capital receipts, either through the disposal of the asset or loan repayments, then there is no need to set aside MRP on an annual basis but the capital receipt or loan repayments should be set aside on receipt for that purpose.

The operative date of the change was 31 March 2008, which means the new rules have applied since the financial year 2007/08.

The Annual MRP Statement

As stated above, Local Authorities are required to prepare an annual statement of their policy on making MRP for submission to their full Council. This mirrors the existing requirements to report to the Council on the Prudential borrowing limits and Treasury Management strategy. The aim is to give elected Members the opportunity to scrutinise the proposed use of the additional freedoms conferred under the new arrangements. The statement must be made before the start of each financial year.

The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year in question for the borrowing that is to take place in that financial year. If it is ever proposed to vary the terms of the original statement during any year, a revised statement should be put to Council at that time.

The guidance includes specific examples of options for making a prudent provision. The aim of this is to ensure that the provision to repay the borrowing is made over a period that bears some relation to the useful life of the assets in question or where a capital receipt will be received to repay the debt in part or in full.

Proposals

The Minimum Revenue Provision Policy Statement for 2021/22:

- In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the Council's policy for the calculation of MRP in 2021/22 shall be that the Council will set aside an amount each year which it deems to be prudent and appropriate, having regard to statutory requirements and relevant guidance issued by DCLG; and

- The Council will also consider the use of capital receipts to pay down any MRP incurred.

The policy will be reviewed on an annual basis.

21 January 2021	ITEM: 8
Corporate Overview and Scrutiny Committee	
Draft Capital Programme	
Wards and communities affected: All	**Key Decision:** Key
Report of: Sean Clark, Corporate Director of Finance, Governance and Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director - Finance	
Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property	
This report is public	

Executive Summary

This report presents the committee with the recommended additions and approach to the new capital programme for 2021/22 and subsequent years.

The council continues to deliver services to residents against the background of ongoing changes in population, local business growth and national infrastructure developments in the borough. This context has now been extended to include the impacts of Covid-19. Consequently there is an ongoing need to support the residents and the wider stakeholders of the Council through a planned programme of capital works. However this is also in the context of significant funding pressures as set out in the MTFS reported to Cabinet on 13 January 2021 and therefore the programme has been restricted to essential projects only. This report sets out the proposed requirements for projects proposed to commence in 2021/22.

1 Recommendations

That the Corporate Overview and Scrutiny Committee:

1.1 Comment on the specific proposals set out within this report.

2 Introduction and Background

2.1 As part of the budget, the Council needs to set its capital programme for the following financial years. The development of the Medium Term Financial Strategy (MTFS) will need to take account of future capital spending plans over the period of the strategy.

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

a) Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings;

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; and

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

2.3 In more recent years, only Prudential Borrowing has been available to finance the majority of schemes within the capital programme with grants only being made available for specific services such as highways.

2.4 Funding from capital receipts may become available as part of the asset review undertaken in 2020/21. This continues to challenge the rationale for holding the asset resulting in the classification of assets as either:

- Released (for example to dispose of immediately or develop for housing);
- Re-used (for example for different services or more intensive or changed use); and
- Retained (business as usual, little need or opportunity for change identified).

Sites that have been identified for release are being reviewed by the relevant stakeholders to determine their redevelopment potential and enable a final decision on release of the asset or otherwise. This potentially enables further funding of capital projects from the capital receipts generated and reduce the level of prudential borrowing required. Equally a proportion will be set aside to support the delivery of the revenue budget as set out in the Medium Term Financial Strategy (MTFS).

2.5 Members should note that General Fund Capital Receipts can also be used to finance Housing Revenue Account capital expenditure which combined with Right to Buy buy-backs can enable the maximisation of HRA resources to fund capital projects.

2.6 Annually, all services consider their future capital needs and submit bids for schemes ranging from projects in their own right to smaller schemes that are required to maintain operational ability – such as capital repairs to operational buildings and system upgrades.

2.7 In addition, the Council Service Review (CSR) process identifies service enhancements that will ultimately reduce costs or increase income. These will need to be funded as and when identified.

2.8 Finally, there are those projects that require seed funding to prepare more detailed business cases. The council agreed in February 2017 to a £2m budget provision to ensure funding is available to prepare business cases for Future and Aspirational Capital Schemes. In light of financial pressures reported in the MTFS no further provision is sought this year.

3 Current Programme

3.1 Before considering the new proposals, it is worth reflecting on the allocations that have been agreed over recent years. These are summarised in Appendix 1 but, covering the period 2020/21 through to 2023/24, total over £299m with £237m still to be spent as at 1 January 2021.

3.2 The major projects that are included within the current programme include:

3.2.1 The widening of the A13;

3.2.2 Purfleet Regeneration;

3.2.3 A13 Eastbound Slip Road;

3.2.4 Civic Offices Development;

3.2.5 Thameside Theatre;

3.2.6 Grays Town Centre and Underpass;

3.2.7 Stanford-le-Hope Interchange;

3.2.8 Improvements to parks and open spaces;

3.2.9 New Educational facilities;

3.2.10 The HRA Transforming Homes programme;

3.2.11 HRA New Build Schemes;

3.2.12 Highways infrastructure; and

3.2.13 Improvements to the Linford Civic Amenity Site.

3.3 As noted and in light of Covid-19 and the funding gaps identified in the MTFS no further funding for feasibility projects is sought for 2021/22. However as the detailed review of assets developed this will enable longer term decisions that support an asset management strategy that aligns with the Council priorities.

4 Draft Capital Proposals

4.1 As set out above, there have been a number of schemes that can be seen as projects in their own right. These have been included at Appendix 2.

4.2 Having reviewed all of the other capital requests, they fall within one of three categories and are summarised in the table below. The amounts have been calculated using the respective bid totals and would be under the responsibility of a relevant Directors' Board or Transformation Board for allocation and monitoring:

Responsible Board	Examples	2021/22 £m	2022/23 £m	2023/24 £m
Service Review	These could include new systems that create efficiencies, upgrades to facilities to increase income potential and enhancements to open spaces to reduce ongoing maintenance.	0.500	0.500	0.500
Digital	The council has been progressing steadily towards digital delivery, both with residents and amongst officers. This budget will allow for further progression as well as ensuring all current systems are maintained to current versions and provide for end of life replacement.	2.260	0.372	0.170
Property	This budget will provide for all operational buildings including the Civic Offices, libraries, depot and Collins House. It will allow for essential capital maintenance and minor enhancements.	1.290	0.00	0.00

4.3 In addition, the capital programme also includes the HRA, Highways and Education. These are largely funded by government grants and will be considered by their respective Overview and Scrutiny Committees and the Cabinet under separate reports.

4.4 Highways are expected to receive in the region of £4m per annum whilst Education are expected to receive a further £4m in 2021/22 with further allocations for free schools.

5 Issues, Options and Analysis of Options

5.1 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 been 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 Thurrock Regeneration Ltd schemes – these actually also fall under the ‘spend to save’ criteria set out above but has not been agreed over the last couple of years.

6 Reasons for Recommendation

6.1 The capital programme forms part of the formal budget setting in February and is an integral part of the Council’s overall approach to financial planning.

7 Consultation (including Overview and Scrutiny, if applicable)

7.1 The various capital bids put forward have all been considered by the service management teams and by the Directors’ Board. Some projects will have also been reported separately to the relevant Overview and Scrutiny Committee.

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

8.1 Capital budgets provide the finance to meet the Corporate Priorities. If a capital project was not to proceed, this may impact, positively or negatively, on the delivery of these priorities and performance with a corresponding impact on the community.

9 Implications

9.1 **Financial**

Implications verified by: **Jonathan Wilson**

Assistant Director - Finance

The financial implications have been set out throughout the body of the report. The financial impact of the borrowing decisions required to support the programme has been accounted for within the MTFS to date.

9.2 **Legal**

Implications verified by: **Ian Hunt**

Assistant Director Law and Governance and Monitoring Officer

Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This budget report contributes to that requirement although specific legal advice may be required on each projects business case.

9.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development and Equalities

All local authorities are required to have due regard to their duties under the Equality Act 2010. The capital programme is assessed at keys stages to ensure the impact of each scheme is measured in a propionate and appropriate way to ensure this duty is met and the needs of different protected characteristics are considered.

10 Appendices to this Report:

- Appendix 1 – Current Programme Summary
- Appendix 2 - New Capital Projects.

Report Author:

Sean Clark

Corporate Director of Finance, Governance and Property

Appendix 1 – Summary of Existing Capital Programme

Directorate ID	Total Budget 2020/21 £'000	Total Budget 2021/22 £'000	Total Budget 2022/23 £'000	Total Budget 2023/24 £'000
Children Services	21,466	400	-	-
Adults, Housing and Health	4,674	10,069	35	-
Environment and Highways	19,007	6,488	1,450	1,000
Place	50,161	66,401	3,749	8,887
Finance, IT and Legal	12,045	7,699	290	30
Commercial Services	18	-	-	-
HR, OD and Transformation	9,386	4,128	-	-
Strategy, Communications and Customer Services	283	19	-	-
Housing HRA	29,692	2,014	155	-
Total	**146,732**	**97,218**	**45,679**	**9,917**

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Appendix 2

Project	Board	Project Ambition	Total Value	2021/22	2022/23	2023/24
Oracle Cloud - functional enhancements	Digital Board	Oracle Cloud is by nature a platform that will evolve through the continual introduction of new modules and functionality. The bid is to support the implementation of digital assistants initially in the Human Resources module. This is a pilot scheme with the potential to generate internal savings and enhance the ability of the Council to sell payroll services to other entities. The pilot can then form the basis for assessment of the potential benefits in other Oracle modules.	410,000	410,000	-	-
Wharf Road, SLH - Drainage scheme	Service Review Board	The bid is for the renewal of existing Highway pump equipment and the associated highway drainage assets. Works required include mechanical, electrical and civils engineering to support the implementation. This will be implemented whilst facilitating traffic and pedestrian flows to the south of Wharf Road and 24/7 pumping to ensure the Highway is not flooded whilst works in operation. These works build on the £85,000 funding provision for a detailed survey of topography, hydrology, infrastructure (including coring, excavation and re-instatement) and review of the pump station and catchment area.	575,000	575,000	-	-

Project	Board	Project Ambition	Total Value	2021/22	2022/23	2023/24
Highway Street Lighting Central Management System	Service Review Board	The bid is to install a Highways Street Lighting Central Management System (CMS) a web based system which allows for approx. 21000 assets to be dynamically controlled in real time. It also requires the installation of seven base stations which will interact with the existing street lighting infrastructure enabling the Council to monitor and adapt lighting levels in response to and as a consequence of increasing financial, safety, legal and environmental requirements. The bid will generate future energy and carbon dioxide savings by enabling the majority of the lighting assets to be dimmed as required. A reduction of 25% energy between 20:00 hrs and 06:00 hrs would give a yearly saving of approx. £173,000. If we increased the dimming further to 40% that would result in annual energy savings of £206,660 It would also reduce our C02 emissions annually by approx. 1,524,000 kg. With a CMS system faults are also automatically registered real time, pre-empting concerns being raised by residents. (In 2019/20 street lighting received over 650 customer enquiries online and attended over 900 maintenance faults)	1,038,000	519,000	519,000	-

Project	Board	Project Ambition	Total Value	2021/22	2022/23	2023/24
Highways Lit signage replacement programme	Service Review Board	A programme of work to replace damaged and structurally corroded lit signage assets throughout the borough over a minimum of 3 years. Lit signage is a statutory requirement used to display regulatory and warning signs for road users and pedestrians. There are approx. 2,500 lit signposts within the borough and at least 20% are estimated to require replacing (500 assets). This is a cumulative problem linked to the installation of approximately 1,850 plastic coated posts between many years ago. These posts have corroded from the inside out essentially, as moisture has gathered between the steel posts and the plastic coating causing in many cases severe rusting and corrosion, this compromises the structural integrity of the asset and presents a real danger to road users and pedestrians. New posts would have a life expectancy of 30+ years. Costs for emergency attendance to cut assets down to make safe would be avoided and there would also be also some energy & C02 emissions savings, using more efficient LED luminaires where renewals have not been previously completed under the LED programme.	1,039,000	353,000	343,000	343,000

Project	Board	Project Ambition	Total Value	2021/22	2022/23	2023/24
A1014 The Manorway - Footway Protection	Service Review Board	The bid is for the implementation of raised kerbs and bollards to protect against damage caused by HGV parking, plus renewal of gullies with hinged lockable covers. The section of The Manorway with the concerns associated with it has an ever expanding HGV movement and associated vehicle movements to DP World and associated Industries. The existing 2-lane (each direction) dual carriageway was built in the early 1970's and has received no strengthening works to the carriageway or footway which has a low level kerb making it attractive as an alternative parking location for HGV drivers. Extensive damage has already been caused to the footway/cycleway which place the Authority at risk to our inability to be able to rectify the footway from existing budgets as the costs in doing so outstrip the budget available. The specific of concern is beyond the Corringham area heading towards Coryton, which is unlit and also prone to gully theft. It is proposed to renew the gullies in this section with hinged lockable gullies which are less prone to theft.	915,000	305,000	305,000	305,000

Project	Board	Project Ambition	Total Value	2021/22	2022/23	2023/24
A1014 The Manorway - Carriageway repairs	Service Review Board	The bid is for the reconstruction and deep inlay resurfacing of The Manorway between Stanford Interchange and The Sorrells junction. The depth of reconstruction will be up to 600mm in isolated areas and deep inlay on areas of rutting. Works would be undertaken via road closure and/or contra-flow. The bid also supports the longer term effectiveness of additional resurfacing works planned to be delivered by DP World. The Manorway has an ever expanding HGV movement and associated vehicle movements to DP World and associated industries. It forms the only authorised access route to DP World and failure of the carriageway would result in all traffic being diverted through the surrounding the residential area, which is formed of Corringham, Stanford-le-Hope and Fobbing.	820,000	820,000	-	-

Work Programme

Committee: Corporate Overview and Scrutiny Committee **Year:** 2020/21

Dates of Meetings: 9 June 2020, 8 September 2020, 10 November 2020, 21 January 2021, 9 March 2021

Topic	**Lead Officer**	**Requested by Officer/Member**
9 June 2020		
COVID19 – Financial and Budget Implications	Sean Clark	Member
Impact of COVID-19 on the Current Agile Working Programme	Jackie Hinchliffe	Member
Work Programme	Democratic Services Officer	Standard Item
8 September 2020		
Financial Update	Sean Clark	Member
Quarter 1 (April to June 2020) Corporate Performance Report 2020/21 and End of Year Corporate Performance Summary 2019/20	Sarah Welton/Karen Wheeler	Officer
Local Council Tax Scheme	Jonathan Wilson/Sean Clark	Member
Work Programme	Democratic Services Officer	Standard Item
10 November 2020		
Collaborative Communities Framework: 2021-2025	Natalie Smith	Member
Community Forums	Natalie Smith	Member

Work Programme

Topic	Lead Officer	Requested by Officer/Member
Overview and Scrutiny at Thurrock: A Review	Lucy Tricker/Matthew Boulter	Officer
Financial Update	Sean Clark/ Jonathan Wilson	Member
Mid-Year/Quarter 2 (April-September 2020) Corporate Performance Report 2020/21	Sarah Welton/Karen Wheeler	Officer
Connectivity & Wi-Fi Improvements	Sean Clark	Member
Work Programme	Democratic Services Officer	Standard Item
21 January 2021		
Communications Strategy Verbal Update	Karen Wheeler	Member
Draft General Fund Budget & Medium Term Financial Strategy Update	Jonathan Wilson/Sean Clark	Officer
Capital Strategy 2021/22	Jonathan Wilson/Sean Clark	Officer
Draft Capital Programme	Jonathan Wilson/ Sean Clark	Officer
Work Programme	Democratic Services Officer	Standard Item
9 March 2021		
Communications Strategy Update	Karen Wheeler	Member
Quarter 3 Corporate Performance Report	Sarah Welton/Karen Wheeler	Officer

Work Programme

Topic	Lead Officer	Requested by Officer/Member
Work Programme	Work Programme	Work Programme

Next Municipal Year:

-

Clerk: Lucy Tricker

Updated: 13th January 2021

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