

<b>10 February 2021</b>		<b>ITEM: 10</b>
		<b>Decision: 110550</b>
<b>Cabinet</b>		
<b>Draft General Fund Budget and Medium Term Financial Strategy Update</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance and Transformation		
<b>Accountable Assistant Director:</b> Jonathan Wilson, Assistant Director Finance, Corporate Finance		
<b>Accountable Director:</b> Sean Clark, Corporate Director of Finance, Governance & Property		
<b>This report is public</b>		

## **Executive Summary**

Cabinet agreed a draft budget at their meeting on 13 January 2021 and referred their proposals to Corporate Overview and Scrutiny Committee on 21 January 2021 for their consideration and comment. This report sets out the committee's comments for Cabinet to consider when recommending their final budget proposals to Full Council.

Analysis of the support provided by the government from the Spending Review 2020 has been carried out and included in the body of this report.

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 HM Government's Spending Review 2020, the underlying budget pressure has now been mitigated through a combination of identified savings, the anticipated but partial use of reserves (built up from the investment approach) 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 significant 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 expected since the outset of the COVID pandemic.

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.

This report has been considered by Corporate Overview and Scrutiny at its meeting on 21 January 2021 and the committee's comments are included in section 12 of the report.

## **1. Recommendations:**

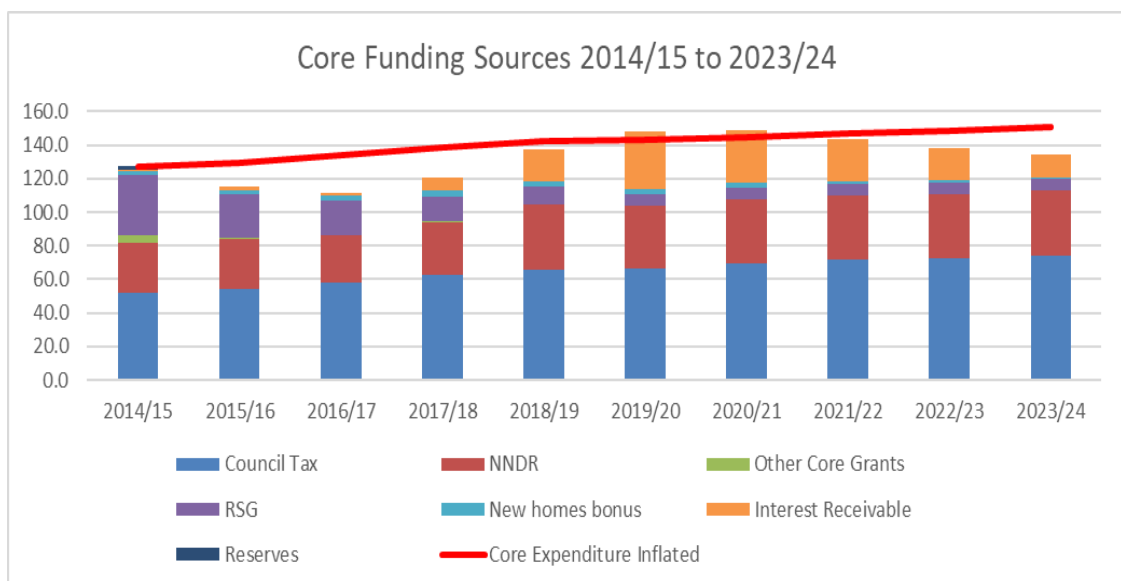
- 1.1 That Cabinet consider the comments from Overview & Scrutiny Committee as set out in section 12 of the report;**
- 1.2 That Cabinet supports the proposed council tax increase of 1.99%;**
- 1.3 That Cabinet supports a 3% Adult Social Care precept increase;**
- 1.4 That the Cabinet recommend to Full Council the capital proposals set out in this report and appendices;**
- 1.5 That Cabinet endorse the Early Years Funding formula for 2021/22, as shown in section 9 and Appendix 5; and**
- 1.6 That Cabinet note the proposed updates to the Medium Term Financial Strategy and the remaining deficits in future years.**

## **2. Introduction & Background**

- 2.1. Before considering future years, it is important to recognise any ongoing impacts from the current year 2020/21. In recent months, Cabinet have received two update reports, the most recent reporting a net in-year budget pressure of £2.672m. The main areas of risk continue to be within Adults' Social Care, Children's Services, Homelessness and the wider Treasury position caused by the pause to the Investment Strategy, specifically around

new investment activity. 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 been presented with regular financial updates throughout the current financial year and the MTFS consistently showed a deficit of £33.673m over the three year period 2021/22 to 2023/24, with an initial £19.318m 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, notably new investment activity, and the start of phasing out of investment income as bonds mature.
- 2.3. For context, the graph below illustrates the position over several years, in regards to a reducing Revenue Support Grant position, and how the investment approach has been used to provide time to reform services at a pace far more considered than otherwise would have been the case. The approach undertaken in 2017, supported unanimously by council, sought to provide that headroom. Members should note that whilst council tax and NNDR income has increased over the period set out in the table, spending requirements have also increased over the same time-period, notably owing to growth and inflationary pressures.
- 2.4. 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 reflects a position where no new investments occur and show the need for an accelerated set of service reforms to reduce base line spending.



- 2.5. 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 only provided clarity over funding for the 2021/22 financial year and 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 follows the assumption that maturing investments will not be replaced and is pending a Council decision on the use of the announced Adult Social Care precept.

- 2.6. The 2021/22 underlying budget deficit position is now £19.288m. However, there is now certainty on balancing the 2021/22 position through a combination of £8.136m of sustainable funding changes and £11.152m of short term measures. The sustainable changes include the use of the full Adult Social Care precept and a further £5.656m identified from the savings review undertaken which reflect a combination of departmental efficiencies, a temporary suspension on recruitment to all non-essential vacant posts and a review of staff allowances. The balance will be met from the use of some reserves allocations, flexibilities relating to capital receipts, to support transformation and growth, and additional grant funding.
- 2.7. While this Covid-19 funding addresses the pressures arising in-year, growth is still required in future years within the MTFs where it is considered there is a need to meet ongoing demand, especially in both adults' and children's social care. Central Government have now announced further one-off support that has been included in the temporary funding measures addressing the budget gap in 2021/22.

### **3. Draft 2021/22 Budget and Future Forecasts**

- 3.1. The full MTFs is included in Appendix 1. The overall financial position over the next 3 years shows a deficit of £42.461m. This has arisen primarily from the projected impact of Covid-19, a pause to the investment approach and wider demand-led and inflationary pressures. This is then translated from the MTFs to an indicative directorate budget level for 2021/22 in Appendix 2.
- 3.2. The provisional Local Government Finance settlement for 2021/22 includes a calculation of Core Spending Power. Members should acknowledge that this includes an assumption that councils will maximise council tax receipts and this 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.

The MTFS in Appendix 1 differentiates between underlying budget pressures and those related to the ongoing impacts of Covid-19. This results in core deficits of £12.936m and £6.353m respectively for 2021/22, a total of £19.288m.

3.3. 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.

3.4. 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. 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.

- 3.5. 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 above.
- 3.6. Indicative service specific savings have been identified in the following key areas in consultation with relevant Portfolio Holders:

<b>Directorate</b>	<b>Proposal</b>	<b>2021/22 Saving £m</b>
Environment, Highways & Counter Fraud	Savings from initial service review.	0.287
Environment, Highways & Counter Fraud	New Counter Fraud income	0.450
Environment, Highways & Counter Fraud	Efficiencies	0.019
Council-wide	Suspension to recruitment for non-essential posts	4.000
Council-wide	Reduction in postage/printing/stationery	0.100
Council-wide	Review of staff allowances above baseline contract conditions (Phase 2 Pay Review)	0.800
	<b>Total</b>	<b>5.656</b>

- 3.7. 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.
- 3.8. 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.
- 3.9. 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 changes 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, so as 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 with regards to 2021/22. There is no certainty beyond the 2021/22 funding settlement and further action should only be based on the only realistic assumptions that can be made for the subsequent 2 years. This includes inflationary increases to core funding streams and the costs they fund 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 have provided direction to retain existing commitments on funding police services, and to preserve, as best as possible under constrained budget challenges, the award-winning successes of 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 is expected to progress in 2021/22 but there is no revised timeline to date. 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 are now likely to be delayed until 2022/23 at the earliest. 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. The Cabinet have allocated £1m from a specific reserve to fund the Stage 3 Local Plan effort and are due to receive a paper on TRL and a multiple-approach housing delivery strategy. All such work leads 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.	£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
<b>TOTALS</b>		<b>68,848</b>	<b>100.0</b>	<b>£1,186.96</b>	<b>£11.87</b>

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, Cabinet is asked to recommend a 1.99% general council tax increase and a 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. Members will be aware from previous reports that the council's reserves position has become far more resilient since 2016, as a direct 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. 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 to come 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. They 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 Capital Proposals for 2021/22**

### **Current programme**

- 6.1 Before considering the new proposals, it is worth reflecting on the allocations that have been agreed over recent years. These are summarised in Appendix 3 but, covering the period 2020/21 through to 2023/24, total over £299m with £237m still to be spent as at 1 January 2021.
- 6.2 The major projects that are included within the current programme include:
- 6.2.1 The widening of the A13;
  - 6.2.2 Purfleet Regeneration;
  - 6.2.3 A13 Eastbound Slip Road;
  - 6.2.4 Civic Offices Development;
  - 6.2.5 Thameside Theatre;
  - 6.2.6 Grays Town Centre and Underpass;
  - 6.2.7 Stanford-le-Hope Interchange;
  - 6.2.8 New Educational facilities;
  - 6.2.9 The HRA Transforming Homes programme;
  - 6.2.10 HRA New Build Schemes; and
  - 6.2.11 Highways infrastructure.
- 6.3 As noted and in light of Covid-19 and the funding gaps identified in the MTF5 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.

## 7 Draft Capital Proposals

- 7.1 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 4.
- 7.2 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:

<b>Responsible Board</b>	<b>Examples</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
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

- 7.3 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.
- 7.4 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.

## 8 Other Capital recommendations

- 8.1 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 have been secured, such as government grants and s106 agreements, for specific schemes; and
- 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.

8.2 The delegation proposed is that any approval is deemed to be part of the capital programme and that the necessary prudential indicators set out in the Capital Strategy are amended accordingly.

8.3 This approach means that estimated amounts for schemes that may or may not take place are not included in the programme, removing the need for agreed provisions that may not be required.

## 9 Dedicated Schools Grant

9.1 On 17 December, the Secretary of State for Education announced details of Dedicated Schools Grant (DSG) allocations for 2021/22. The tables below show the funding to be received by Thurrock:

<b>Dedicated Schools Grant</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Increase</b>
	£m	£m	£m
Schools	127.474	140.936	13.462
Central Services	1.850	1.783	(0.067)
High Needs	25.410	28.266	2.856
Early Years	12.699	12.877	0.179
<b>Total</b>	<b>167.433</b>	<b>183.862</b>	<b>16.430</b>

9.2. Thurrock’s funding formula in 2021/22 has implemented the following principles consistent with the decision made by Cabinet in December 2020:

- National Funding Formula values have been applied;
- An inflationary increase of 3.26% has been applied to the Basic Entitlement values;
- Retained growth fund has been set at £1.213m; and
- Schools Forum have agreed a £0.673m transfer from the Schools Block to the High Needs Block to support increased demand for Specialist placements and Education, Health and Care Plans.

9.3 As part of November’s Spending Review the Chancellor announced £44m investment in 2021/22, for local authorities to increase hourly funding rates paid in the forthcoming financial year to childcare providers for the

government's free childcare entitlements. As a result of this, the ESFA have confirmed that in 2021/22 the hourly funding rates for all local authorities will increase by 8p an hour for the two-year-old entitlement and, for the vast majority of areas, by 6p an hour for the three and four-year-old entitlements.

9.4 In order to support settings Thurrock is to increase the rates paid by 8p an hour, from April 2021. The hourly rates will increase to £5.23 for the two-year-old entitlement and to £4.36 for the three-and four-year-old entitlement.

9.5 Appendix 5 sets out further detail on the Dedicated Schools Grant allocation for 2021/22.

## **10 Issues, Options and Analysis of Options**

10.1 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 services are provided to the required level.

10.2 A maximum council tax increase is recommended by officers as the Government's Core Spending Power calculations and Comprehensive Spending Review will assume that the council has maximised resources from its ability to raise funding 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.

10.3 The report also sets out the identified deficits over the three-year period of the MTFS. Members and officers will continue to work to identify further mitigating actions and carry out service review processes across a number of areas.

## **11 Reasons for Recommendation**

11.1 The Council has a statutory requirement to set a balanced budget annually and to review the adequacy of its reserves. This report sets out a balanced budget for 2021/22.

11.2 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.

## **12 Consultation (including Overview and Scrutiny, if applicable)**

12.1 The approach to this budget has been reported to Corporate Overview and Scrutiny Committee and Cabinet in recent months. There have been discussions with Directors' Board and the Unions have been kept informed.

12.2 Corporate Overview and Scrutiny Committee considered this report at their meeting on 21 January 2021. Key points noted included:

- The need to seek further funding support from Central Government to support the mitigation of ongoing pressures;
- Concern over the level of Council Tax rises over the 3 year period of the MTFs;
- The importance of considering wider opportunities to expand commercial income generation within the revised regulations over borrowing recently implemented by central government;
- The need to accelerate new ways of working to support further cost savings; and
- Consideration of wider opportunities for working with other Local Authorities to also support further cost savings.

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

13.1 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.

13.2 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.

### **14 Implications**

#### **14.1 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 supported 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.

#### 14.2 **Legal**

Implications verified by: **Ian Hunt**

**Assistant Director of 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.

#### 14.3. **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 comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

#### 14.4. **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, and Impact on Looked After Children)

The council's current investments continue to contribute towards the green agenda through supporting renewable energy schemes across the UK. Part of the budget surplus had previously been allocated to supporting climate change but, with the budget pressures the council now faces, this, along with other such allocations, has been centralised back into a general reserve to support the budget in this year and next.

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

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

**16. Appendices to the report**

Appendix 1 - Medium Term Financial Strategy

Appendix 2 - Indicative Service Budget impact

Appendix 3 - Summary of Existing Capital Programme

Appendix 4 - New Capital Projects

Appendix 5 – Dedicated Schools Grant 2021/22

**Report Author**

Sean Clark

Corporate Director of Finance, Governance and Property



## Appendix 1 - Medium Term Financial Strategy

Narrative	2021/22			2022/23	2023/24
	£000's			£000's	£000's
	<i>Non Covid</i>	<i>Covid</i>	<i>Total</i>		
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
<b>Net Additional (Reduction) in resources</b>	<b>(1,495)</b>	<b>2,242</b>	<b>746</b>	<b>(335)</b>	<b>(1,381)</b>
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
<b>Internal Position</b>	<b>14,431</b>	<b>4,111</b>	<b>18,542</b>	<b>12,961</b>	<b>11,927</b>
<b>Core Budget Deficit before intervention</b>	<b>12,936</b>	<b>6,353</b>	<b>19,288</b>	<b>12,626</b>	<b>10,546</b>
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)
<b>Internal Core Budget Savings</b>	<b>(5,656)</b>	<b>0</b>	<b>(5,656)</b>	<b>(4,941)</b>	<b>(4,035)</b>
<b>Core Budget Deficit Position</b>	<b>7,280</b>	<b>6,353</b>	<b>13,632</b>	<b>7,685</b>	<b>6,511</b>
<b><u>Additional Core Budget Savings</u></b>					
Adult Social Care Precept 3%	(980)	(1,500)	(2,480)	0	0
<b>11. Other funding (not affecting baseline)</b>					
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
	<b>(6,300)</b>	<b>(4,853)</b>	<b>(11,153)</b>	<b>7,153</b>	<b>4,000</b>
<b>Overall Budget Working Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,838</b>	<b>10,511</b>

## Appendix 2 - Indicative Service Budget impact

Directorate	2020/21 Revised budget	Business Rates Precept	Social Care Grant	Inflation	Treasury & Central Financng	Social Care Growth	Corporate 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	2	0	2,500	0	(10)	0	0	0	0	46,005
Central Financing	(118,030)	(500)	0	0	3,800	0	0	0	0	(200)	0	0	(119,064)
Children's Services	40,648	0	(800)	2	0	1,814	0	(7)	0	0	0	0	41,657
Commercial Services	988	0	0	0	0	0	0	(0)	0	0	0	0	988
Corporate Costs	(1,813)	0	0	4,866	100	0	667	(4,800)	1,320	(5,084)	(3,000)	(3,300)	(11,044)
Environment & Highways and Counter Fraud	30,714	0	0	759	0	0	0	(765)	0	0	0	0	30,708
Finance, Governance and Property	18,284	0	0	65	0	0	0	(70)	0	0	0	0	18,278
Housing General Fund	1,817	0	0	19	0	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	5,145
Place	5,356	0	0	1	0	0	0	(3)	0	0	0	0	5,354
Strategy, Communications & Customer Se	3,175	0	0	0	0	0	0	0	0	0	0	0	3,175
Treasury	(29,794)	0	0	0	6,758	0	0	0	0	0	0	0	(23,037)
<b>Grand Total</b>	<b>0</b>	<b>(500)</b>	<b>(800)</b>	<b>5,714</b>	<b>10,657</b>	<b>4,314</b>	<b>667</b>	<b>(5,656)</b>	<b>1,320</b>	<b>(5,284)</b>	<b>(3,000)</b>	<b>(3,300)</b>	<b>0</b>

### Appendix 3– 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	-
<b>Total</b>	<b>146,732</b>	<b>97,218</b>	<b>45,679</b>	<b>9,917</b>

## Appendix 4 - New Capital Projects

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	<p>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.</p> <p>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.</p>	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	<p>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 CO2 emissions annually by approx. 1,524,000 kg.</p> <p>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)</p>	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	<p>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.</p> <p>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 &amp; CO2 emissions savings, using more efficient LED luminaires where renewals have not been previously completed under the LED programme.</p>	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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	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	<p>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.</p> <p>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.</p>	820,000	820,000	-	-



## Appendix 5 Dedicated Schools Grant 2021/22

- In December, the Secretary of State for Education announced details of the Dedicated Schools Grant (DSG) allocations for 2021/22. The table below shows the funding to be received in Thurrock:

Dedicated Schools Grant	2021/22	2020/21	Increase
	£m	£m	£m
Schools Block	140.936	127.474	13.462
Central Services Block	1.783	1.850	(0.067)
High Needs Block	28.266	25.410	2.856
Early Years Block	12.877	12.699	0.179
<b>Total Funding Allocation</b>	<b>183.862</b>	<b>167.433</b>	<b>16.430</b>

### Schools Block

- The increase in funding of £13.462m is as a result of grants transferring into the Dedicated Schools Grant of £6.269m; increase to funding rates of £4.192m; increase of 468 pupils, realising additional funding of £2.629m and an increase in the growth fund by £0.372m, as shown in the table below:

Schools Block			£m	£m
2020/21				127.474
Protected funding for the pay and pensions grants transferred into the Dedicated Schools Grant			6.269	
Increase in Funding		4.163		
Increase in Premises value		0.029	4.192	
Increase in Pupil Numbers	2021/22	27,835		
	2020/21	27,367		
		468	2.629	
Increase in Growth Fund	2021/22	1.758		
	2020/21	1.386	0.372	13.462
<b>Schools Block 2021/22</b>				<b>140.936</b>

3. In 2021/22, this funding will continue to be distributed using the Schools National Funding Formulae (NFF). The key aspects of the formula are:
- The incorporation of the 2019 update to the Income Deprivation Affecting Children Index (IDACI), ensuring that the deprivation funding through the NFF continues to target schools most likely to need additional funding
  - Funding previously received through the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grants (TPECG), has been added to schools' baselines; by increasing the basic per pupil funding.
  - The minimum per pupil funding levels will increase from £3,750 to £4,180 for primary schools and £5,000 to £5,415 for secondary schools. This increase reflects the transfer of grant into the DSG and increase to funding rates.

It remains the government's intention to move to a 'hard' NFF, where budgets will be set on the basis of a single, national formula.

4. In 2021/22 local authorities continue to have discretion over their local schools funding formulae. Cabinet agreed on 9th December 2020 that Thurrock's funding formula in 2021/22 would implement the following principles:
- National Funding Formula values to be applied;
  - Any unallocated funding will be applied to the Basic Entitlement values;
  - Growth fund to be retained to support sufficiency of places.

In addition the Schools Forum have agreed to transfer up to 0.5% (£0.673m) from the Schools Block to the High Needs Block to support increase demand for Specialist placements and Education, Health and Care Plans.

### **Central Services Block**

5. In 2021/22, historic commitments funding to be received will be reduced again by 20%. For Thurrock this is an annual reduction of £0.256m.

### **High Needs Block**

6. The High Needs NFF for 2021/22 remains unchanged. However, with over £730 million of additional funding, the formula will ensure that every local authority will receive an increase of at least 8%.
7. Thurrock is to receive an increase of £2.794m or 11%. Whilst the increase is welcome, Thurrock continues to experience high level of demand for Specialist places and Education, Health and Care Plans. The 2020/21 projected outturn is an overspend of £2.6m.
8. A very challenging and stretching balanced budget is proposed but within this key risks of £1.9m have been identified, if demand continues are the same rate as in 2020/21.
9. The annual meeting with the ESFA, expected to be held in March 2021, will discuss the DSG Management Plan, current EHCP trends and options to address the historic DSG deficit.

## Early Years Block

10. The Early Years funding allocation has increased by £44 million in 2021/22. The rate paid to Thurrock will increase by 8p per hour for the two-year-old entitlement and by 6p per hour for the three-and-four-year-old entitlements.
11. The Early Years Block will return to being funded based on the January census. The January 2021 census will be used to fund the spring and summer terms. The January 2022 census will be used to fund the autumn 2021 and spring 2022.
12. The impact of Covid on the spring 2021 census will need to be closely monitored, especially if demand in the summer term returns to pre-Covid levels.
13. In order to support settings Thurrock is to increase the rates paid by 8p an hour, from April 2021. The hourly rates will increase to £5.23 for the two-year-old entitlement and to £4.36 for the three-and four-year-old entitlement.

## Dedicated Schools Grant – Deficit

14. The table below shows the projected outturn position for 2020/21:

<b>DSG Deficit - Summary</b>	<b>£m</b>	<b>Deficit</b>
		<b>% of DSG</b>
Historic Deficit 2018/19	(2.656)	
DSG 2019/20	0.678	
Deficit @ 31/03/20	(1.978)	1.26%
DSG 2020/21	(1.617)	
Projected Deficit @ 31/03/21	(3.595)	2.15%

## Conditions of Grant

15. The Dedicated Schools Grant conditions of grant changed in 2020/21 to clarify that councils are not expected to use their general reserves to fund deficits in the DSG but must carry forward overspends. The aim is to stop Local Authorities from reducing funding for other services to cover deficits, which are mostly due to high needs pressures. The Department for Education wants DSG deficits to be covered from DSG income over time. No timescale has been set for the length of this process.

16. The DSG conditions of grant requires that any LA with an overall deficit on its DSG account at the end of the 2019/20 financial year, or whose DSG surplus has substantially reduced during the year, must be able to present a plan to the Department for Education (DfE) for managing their future DSG spend.
  
17. The DSG management plan is currently being populated and will be presented to the Schools Forum in March and to the ESFA at the annual conversation meeting.