23 February 2022	ITEM: 13
Council	
General Fund Budget Proposals	
Wards and communities affected: All	**Key Decision:** Yes
Report of: Councillor Rob Gledhill, Leader of the Council	
Accountable Assistant Director: Jonathan Wilson, Assistant Director - Finance	
Accountable Director: Sean Clark, Corporate Director of Resources and Place Delivery	
This report is Public	

Executive Summary

This report sets out the draft proposals for a balanced budget for the financial year 2022/23.

The budget, in part, addresses the wider cost pressures arising from increased demand for social care services and the decision to pause the investment strategy. Ongoing pressures within social care continue to require mitigating action to ensure the budget is delivered within available resources.

Following HM Government's Spending Review 2021, the additional funding reduces the financial gap for 2022/23 and provides some additional financial support to social care services. Supported by the continued use of capital receipts for transformational purposes and financial resilience reserves, the remaining gap can be addressed and a balanced budget can be set in 2022/23.

This position also assumes:

- The general council tax increase of 1.99% will be ring-fenced to Children's Social Care, to reflect well-documented pressures in the system (an issue seen across the entirety of councils with social care responsibility); and
- The additional 1% Adult Social Care precept will be used to fund increasing demand pressures within the service post Covid-19, as new and complex cases present themselves.

Members should note the use of one-off interventions results in underlying base pressures being carried forward into 2023/24 and 2024/25. The budget also reflects the agreed pause to the Investment Strategy approach adopted by the Council in October 2017. Hence, while significant savings have been identified for the latter two years, the remaining gaps stand at £8.905m and £5.364m in 2023/24 and 2024/25 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 2022/23.

The proposals were considered by the Corporate Overview and Scrutiny Committee on 18 January 2022 with the comments considered as part of the final budget proposals agreed by Cabinet at their meeting on 9 February 2022.

1. Recommendation(s)

That the Council:

1.1 Considers and acknowledges the Section 151 Officer's (Corporate Director of Resources and Place Delivery's) s25 report on the robustness of the proposed budget and the adequacy of the Council's reserves, as set out in Appendix 1, including the conditions upon which the following recommendations are made;

1.2 Agree a 1.99% council tax increase; ring-fenced to meet the increasing costs and demands of Children's social care services and to move the council towards greater financial sustainability for the medium to longer term;

1.3 Agree a 1% council tax increase towards the cost of Adult Social Care;

1.4 Agree the use of capital receipts for transformational purposes as set out in paragraphs 6.29 to 6.34;

1.5 Approve the new General Fund capital proposals, as set out in section 9 and Appendix 6; and

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

Statutory Council Tax Resolution

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

1.7 Calculate that the council tax requirement for the Council's own purposes for 2022/23 is £74,451,167 as set out in the table at paragraph 6.2 of this report.

1.8 That the following amounts be calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Act:

(a) £334,475,361 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act. (Note this figure excludes the Academy Recoupment element of the Dedicated Schools Grant).

(b) £260,024,194 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act. (Note this figure excludes the Academy Recoupment element of the Dedicated Schools Grant).

(c) £74,451,167 being the amount by which the aggregate at 1.8(a) above exceeds the aggregate at 1.8(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its council tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £1,441.26 being the amount at 1.8(c) above (Item R), all divided by Item T (Council Tax Base of 51,657), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (including Parish precepts).

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

(f) £1,441.26 being the amount at (d) above less the result given by dividing the amount at (e) above by Item T, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates.

1.9 To note that the Essex Police, Fire and Crime Commissioner has issued precepts to the Council in respect of Essex Police and Essex County Fire and Rescue Service in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below.

1.10 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of council tax for 2022/23 for each part of its area and for each of the categories of dwellings.

2022/23 COUNCIL TAX FOR THURROCK PURPOSES EXCLUDING ESSEX FIRE AUTHORITY AND ESSEX POLICE AUTHORITY

Amounts for the Valuation Bands for 2022/23							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
960.84	1,120.98	1,281.12	1,441.26	1,761.54	2,081.82	2,402.10	2,882.52

1.11 That it be noted that for the year 2022/23 Essex Police, Fire and Crime Commissioner Fire and Rescue Authority has stated the following amounts in precept issued to the Council in respect of Essex Police for each of the categories of dwellings as follows:

Amounts for the Valuation Bands for 2022/23							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
145.68	169.96	194.24	218.52	267.08	315.64	364.20	437.04

1.12 That it be noted that for the year 2022/23 Essex Police, Fire and Crime Commissioner Fire and Rescue Authority has stated the following amounts in precept issued to the Council in respect of Essex County Fire and Rescue Service for each of the categories of dwellings as follows:

Amounts for the Valuation Bands for 2022/23							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
50.22	58.59	66.96	75.33	92.07	108.81	125.55	150.66

2022/23 COUNCIL TAX (INCLUDING FIRE AND POLICE AUTHORITY PRECEPTS)

Amounts for the Valuation Bands for 2022/23							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,156.74	1,349.53	1,542.32	1,735.11	2,120.69	2,506.27	2,891.85	3,470.22

2 Introduction and Background

The Process for Agreeing the Council's Budgets

2.1 The Council must, by law, set its annual revenue budget and associated council tax level by 11 March of the preceding financial year. If, for whatever reason, the Council cannot agree a budget and Council Tax level at its meeting on 23 February 2022, Members should be aware that the Council will not have a legal budget and this will impact on service delivery and cash flow with immediate effect whilst damaging the council's reputation and can, as a last resort, lead to intervention from the Secretary of State under powers given by section 15 of Local Government Act 1999.

2.2 The role of Council is to agree the level of Council Tax and inherently, the budget envelope for the Council. The precise allocation of that envelope and expenditure falls to the Cabinet.

2.3 It is also good practice to approve the capital programme at the same time because there is an interdependency between the budget streams.

2.4 This report presents the proposed 2022/23 General Fund revenue and capital project budgets, as per the recommendations of Cabinet that have been formed through budget reports presented to the Corporate Overview and Scrutiny Committee and the Cabinet over recent months.

2.5 The statutory statement of the Corporate Director of Resources & Place Delivery on the robustness of the estimates and adequacy of reserves under s25 of the Local Government Act 2003 is included at Appendix 1. This must be considered by the Council before approving the council tax level.

The 2021/22 General Fund Revenue Budget Position

2.6 Members have received reports throughout the year, with the most recent report forecasting a £0.721m pressure with the intention to balance the position by the end of the financial year. There is a significant pressure within core services relating to looked after children with increases in the number, type and complexity of cases alongside increases in the costs of care that has created significant budgetary pressure. This pressure is consistent with the wider experiences in the sector across the country as the longer-term impacts of the pandemic manifest themselves.

2.7 The wider impacts of the pandemic on local funding streams remain under consideration as the support mechanisms in place to support both residents and local business are reduced or come to an end and the longer-term economic impacts of the pandemic become clearer.

Financial Self-Sustainability and Government Grants

2.8 Officers have consistently reported over a number of years that the Council operates from a low financial base in terms of core funding:

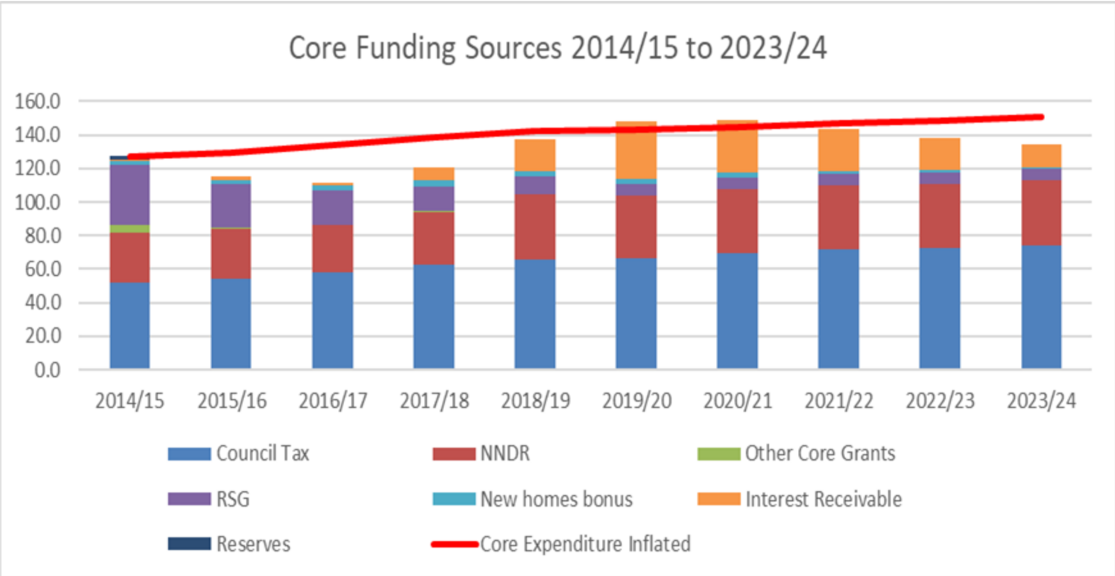
- The council has the third lowest band D council tax compared to other unitary authorities at £1,399.32 (current).This is £499.23 lower than the highest amount raised by a unitary authority per band D property in 2021/22.
- 70% of Thurrock properties are in band A-C and so raise significantly less than a band D level;
- The amount raised in council tax in 2020/21 was £71.11m compared with the nearest neighbouring authority Southend of £87.64m. For wider comparison the highest level of Council Tax income raised by a unitary authority is £126.06m (Nottingham City Council); and
- In 2021/22 Thurrock projected to raise £121.31m of business rates but retain just £38.37m of the amount collected in the area.

2.9 As previously reported, the CIPFA Resilience Index provides further context based on the proportionate level of Adult Social Care spend. One measure classifies the amount that Thurrock spends on Adult Social Care is higher than average percentage of overall budget (i.e. a risk) despite national benchmarking reporting that Thurrock Council is one of the lowest ASC spenders in the country and the total budget being low compared to others.

2.10 Council tax increases are limited every year and an annual increase of 1.99% is assumed for MTFS purposes. Increases to business rates are set by the government and not in the control of the local authority. As such, the ability to raise taxes locally are limited by central government.

2.11 The Local Government Association note, as recent as December 2021 that all local councils across the UK will need to increase council tax to stand any chance of achieving pre-pandemic level service quality.

2.12 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, demand and inflationary pressures.



2.13 Council Tax and Business Rates remain the main sources of funding for the Council's total General Fund budget (excluding schools). Government funding of its main grant is the third ranked provider of funding. As such, it remains a reducing factor in determining the Council's revenue budget. The Comprehensive Spending Review for 2022/23 was announced on 27 October 2021 with further detail released in December 2021 and confirms the adjustments built into the MTFS.

2.14 Overall, the government said the settlement would provide a real-terms spending power increase of 4% on 2021/22. This reflects both inflationary rises to core grants and the assumption that Councils will raise council tax up to the referendum limit. In practice, this means a 1.99% increase in council tax, and 1% for the Adult Social Care precept.

2.15 The government has confirmed that within these increases councils will receive a share of £700m of new grant funding for social care. The social care precept and including this assumption equates to a total £1bn year-on-year funding increase in 2022/23. This also includes the Department for Health and Social Care's Market Sustainability and Fair Cost of Care Fund of £162m. This is to provide support as Local Authorities prepare their markets for reform and move towards paying providers a fair cost of care. The impact of the reforms are not yet known but will be assessed once further guidance is issued.

2.16 Whilst changes to core grant funding is welcomed, it needs to be considered in the context of the removal of the Covid-19 funding. The Council received a grant of £4.853m in 2021/22 and the removal of this offsets the wider benefits received from changes in core grant funding. As such, the 4% set out in para 2.14 is measured against the council's budget in this financial year after the removal of the £4.853m.The net effect of the settlement is an additional £2.470m.

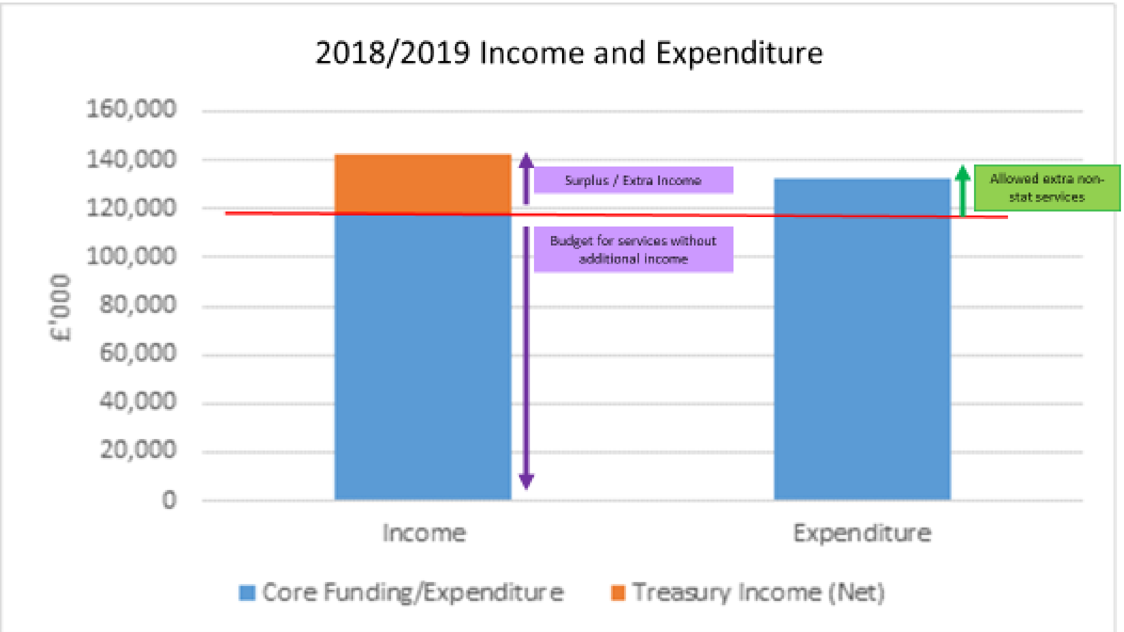
2.17 As in previous years, the government also confirmed that the business rates multiplier will be frozen and local authorities would receive an equivalent compensation grant. In addition, there will be adjustments to business rates including a temporary relief of £1.7bn across 400,000 retail, hospitality and leisure properties in 2022/23. Broadly, this equates to a 50% business rates reduction for those qualifying businesses and local authorities will receive an equivalent grant to compensate them for the loss of income.

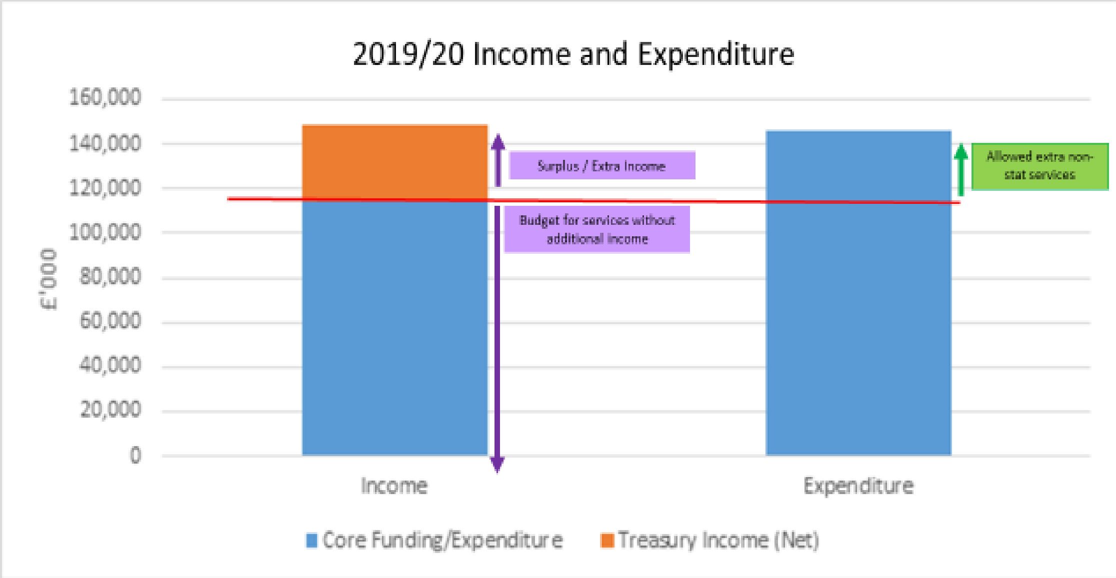
2.18 While there is some clarity on the level of sector-wide funding for the following two years, the individual allocations to local authorities have not been confirmed so in effect, this is a single year settlement. It is expected there will be further consideration of proposed reforms to the funding formula in 2022/23 to support the wider levelling up agenda, the impact of which on each local authority will not likely be clear until December 2022. The short term funding confirmation only provides limited and short-term stability for local authorities.

2.19 In addition and despite the approach successfully enduring the test of a 22-month international pandemic, the Council continues to deprioritise the previously council-wide agreed investment approach. This means investments that were planned and agreed as part of the medium term financial strategy have been removed from forecasts and existing investments will not be replaced. The removal of this funding support mechanism increases the funding gaps faced by the Council over the short to medium term. As such, the current investment surplus in excess of £30m per annum will be removed in a phased manner from the council's finances over the next decade adding to the annual pressures that every council faces.

2.20 Incidentally, the EELGA response to the CSR, published in September 2021 noted: Recent examples of commercial failures in some council ventures should not deter central or local government from pursuing relevant, suitable opportunities for prudent commercial decisions and developments. Instances of failure are relatively rare, so a proportionate response to risk mitigation is needed, so that councils can flourish and do their part to generate additional income where appropriate. Whilst there are public bodies that appear to continue to support the concept of local authority investments; whilst there remains uncertainty on what councils can and cannot do, the council will not seek to modify its position that it will exit on a phased-basis from the approach it commenced initially in 2016.

2.21 The impacts of this can be illustrated best by the graphics below – the first three graphs show how income from the approach allowed the funding of services above and beyond the statutory minimum (2018/19, 2019/20, 2020/21). The fourth graph (2021/22) illustrates how the income reduction from the phased-wind down of the approach means that the council will need to do what it would have had to do at rapid pace in May 2016.




2019/20 Income and Expenditure
160,000
140,000
120,000
100,000
80,000
60,000
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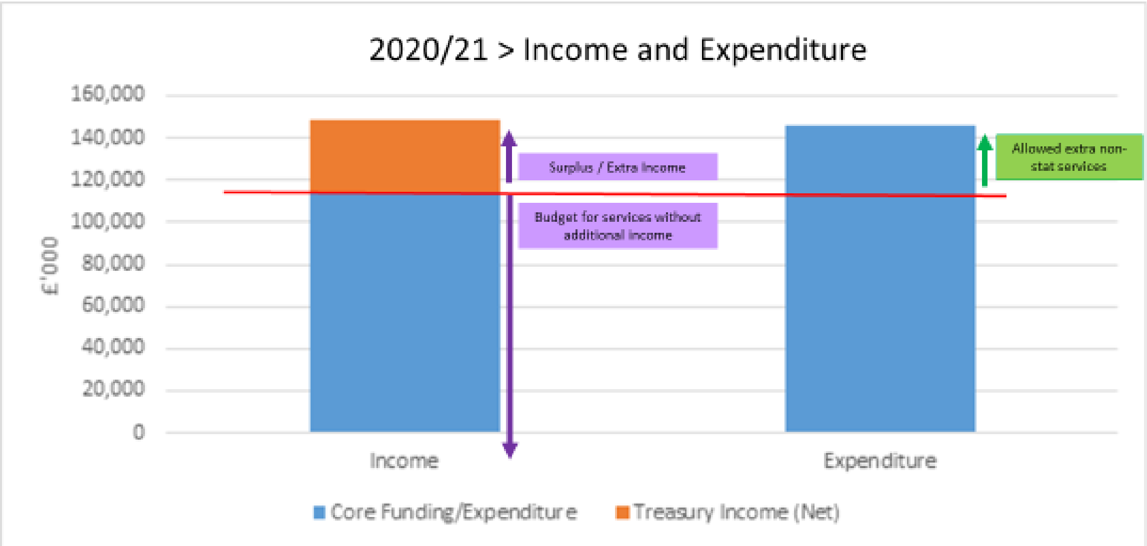
Surplus / Extra Income
Budget for services without additional income
Allowed extra non-stat services
Income
Expenditure
Core Funding/Expenditure
Treasury Income (Net)


2020/21 > Income and Expenditure
160,000
140,000
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Surplus / Extra Income
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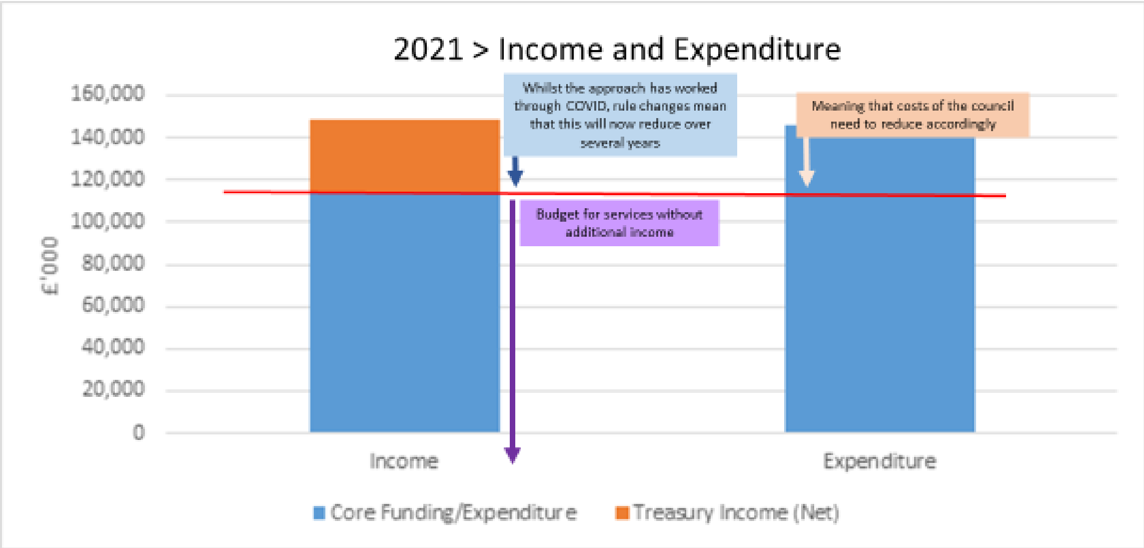

2.22 For context - the Council's annual budget for 2021/22 is circa £150m – which is made up of £70m Council Tax, under £40m on Business Rates, £10m of grant funding, and [currently] circa £30m investment income.

2.23 Without the £30m per annum from investment income, the council faced a £30m gap. The gap has been successfully closed for four years through the Member-agreed investment approach. Had Full Council not supported the approach from 2017, council tax would have had to increase for every household by a further 42% over the last five years (or £432 per year on each household bill).

3 Collection Fund Balances and Council Tax Base

3.1 The Constitution delegates the factual calculation and agreement of Collection Fund balances and the Council Tax base to the Corporate Director of Resources & Place Delivery.

Collection Fund

3.2 The Collection Fund reflects the transactions for Council Tax and Business Rates billing including the collection and distribution of funds. Councils are required to estimate the balance on the Collection Fund as at the 31 March each year and for this to be allocated to the major precepting bodies to be accounted for in the budget setting for the following year.

3.3 These balances can be either surpluses or deficits and so will impact the budgets accordingly. The impact for Thurrock Council has been included within these budget proposals and precepting bodies have been notified of their shares.

3.4 Based on the latest forecasts of collections and write offs the Council Tax Collection Fund is estimated to be a surplus of £52,520 as at 31 March 2022. This is apportioned to the major preceptors as follows:

Major Precepting Authority	**£**
Thurrock Council	43,700
Essex Police Authority	6,512
Essex Fire Authority	2,308
Total Allocated	52,520

3.5 Based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a surplus of £657,594 as at 31 March 2022. This is apportioned under regulations as follows:

Major Precepting Authority	**£**
Thurrock Council	322,221
Central Government	328,797
Essex Fire Authority	6,576
Total Allocated	657,594

3.6 The collection fund balance on the Business rates account is after the application of the Section 31 Covid-19 business rates reliefs. This is paid to the Local Authority directly from Central Government to compensate the account for the lost income relating to business that are receiving support in 2021/22.

Council Tax Base

3.7 The Council Tax Base is the calculation formed by considering the number of properties within the borough from bands A to H, the discounts applied to a number of those properties and therefore, the likely reduction in liability through the Local Council Tax Scheme (LCTS).

3.8 All properties are averaged to calculate an equivalent of a number of Band D properties that is then used to derive the Council Tax income within the budget. Whilst there are over 69,000 properties in the borough, these equate to an equivalent Band D Council Tax Base of 51,657 properties that, when multiplied by the proposed Council Tax level, calculate a total that will be raised through Council Tax.

4 Council Tax Proposals

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 £195 per annum less than residents in Band D properties in Southend-on-Sea and circa £282 less than residents in Band D properties in neighbouring Basildon. Officers' advice is clear that council tax increase of 1.99% remains essential in 2022/23 to ensure that the council can continue to fund the delivery of core services.

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 historically the Council has not maximised council tax increases up to the level indicated by Central Government in previous years. A comparison with the band D level of Council Tax at other Essex authorities confirms the Council position is circa £195 below the average. This equates to a level of funding circa £9.9m below the average level in Essex.

4.3 It remains 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 S151 Officer's Section 25 statement.

4.4 A 1% council tax increase equates to £0.718m additional funding for the Authority.

4.5 The following table highlights the specific financial impact of a 1% increase on Council tax per annum/per household based on the 2021/22 band charge (which includes the Essex Police and Essex Fire Authority precepts).

Band	Band Charge	Properties		Average Net Charge	Average 1% Increase p.a.
		No.	%		
A	£1,070.22	7,491	10.8%	£643.80	£6.44
B	£1,308.02	13,819	19.9%	£982.76	£9.83
C	£1,494.88	27,438	39.5%	£1,249.30	£12.49
D	£1,681.74	12,657	18.2%	£1,490.68	£14.91
E	£2,055.46	4,809	6.9%	£1,885.98	£18.86
F	£2,429.18	2,278	3.3%	£2,275.09	£22.75
G	£2,802.90	847	1.2%	£2,625.39	£26.25
H	£3,363.48	55	0.1%	£2,446.17	£24.46
TOTALS		**69,394**	**100.0%**	**£1,270.43**	**£12.70**

4.6 This tax increase of 1.99% and 1% is 2.5% behind inflation (which was, as of December 2021, at 5.4%),

4.7 Members should note:

- That council wage increases also have to be funded; to not increase tax means that there is no extra funding for wage growth;

- In January 2022, Full Council approved a second year of increasing the Local Council Tax Support scheme (LCTS) from £7.7m to £8.5m. Whilst cases have normalised to the 10,000 mark (an increase from a pre-pandemic caseload of circa 9,800, yet a drop from circa 10,400 mid-pandemic cases), Council agreed to the recommendation to support residents who needed help the most through maintaining the increase to the LCTS; and

- This is further supported by all Band A-D properties (61,405 properties) receiving – at some point in the future - a £150 payment towards the cost of energy. This equates to £9.2m worth of support being paid out across all Bands A, B, C and D properties in the borough.

5 Medium Term Financial Strategy (MTFS)

5.1 The Comprehensive Spending Review has provided additional detail following their headline announcements on 27 October 2021. Overall, the government said the settlement would provide a real-terms spending power increase of 4% on 2021/22. This reflects both inflationary rises to core grants and the assumption that Councils will raise council tax up to the referendum limit. In practice, this means a 1.99% increase in council tax, and 1% for the Adult Social Care precept.

5.2 The below table shows the confirmed additional funding for 2022/23:

Narrative	**2022/23**
	£'000
Council Tax (1,99% plus 1% ASC precept)	(2,143)
Business Rates Funding (CPI increase)	(998)
Core Grant Changes	(3,740)
Removal of Covid-19 Funding	4,853
Market Sustainability & Fair Cost of Care Fund	(442)
Total	**(2,470)**

5.3 The revised MTFS is included in Appendix 2. The overall financial position over the next 3 years shows a revised deficit of £14.269m. This has arisen primarily from the projected long-term impact of Covid-19, including impact on both Adults' and Children's Social Care, the impact of higher inflation, a pause to the investment approach and the reversal of temporary support mechanisms.

5.4 The below table shows a summarised MTFS position and reflects all confirmed funding known to date:

MTFS Category	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000
Local Funding - Council Tax	(3,065)	(3,444)	(3,072)	(10,758)
Local Funding - Business Rates	(1,757)	(2,165)	(3,165)	(7,087)
Total Government Resources	796	784	157	1,612
Inflation and other increases	5,515	4,665	4,762	14,942
Treasury	6,754	2,948	3,368	13,070
Social Care Growth	7,241	3,314	3,314	13,869
Commercial Income	(1,089)	0	0	(1,089)
Savings allocation	(14,206)	(3,687)	0	(17,893)
Capital Receipts & Reserves	(190)	6,490	0	6,300
Remaining gap	0	8,905	5,364	14,269

5.5 The gap has been bridged by the extension of the use of capital funding to support transformation and, as required, further use of resilience reserves is applied to the 2022/23 position – which is only possible as a result of the reserves increases facilitated since 2016. This provides certainty that the Local Authority's statutory duty to set a balanced budget can be met. 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 and every effort must be made to achieve further savings in 2022/23 to reduce the call on these one-off measures.

5.6 The proposed use of capital transformation activity and reserves in 2022/23 will leave remaining deficits of £8.905m and £5.364m in 2023/24 and 2024/25 respectively.

5.7 Significant savings have been identified through changes to service delivery, process automation, recruitment management and general efficiencies. Further work is required to identify additional savings that can be achieved through a wider transformation programme with the intention of balancing the 2023/24 and 2024/25 positions.

6 Draft Budget, Growth & Savings

6.1 The full MTFS forms the basis for the detailed budget allocation across the authority and changes are reflected to arrive at indicative cash envelopes for 2022/23. This is shown in Appendix 2.

6.2 Draft budgets are included at Appendix 3 but a summary of the overall budget envelope and financing is set out below:

	£m
Net Expenditure	**125.860**
Financed by:	
Revenue Support Grant	(7.056)
NNDR Precept	(39.820)
Other Grants	(4.171)
Collection Fund balances	(0.366)
To be funded through Council Tax	**(74.451)**

6.3 Growth has been applied in line with the government's intention to support both adults' and children's social care and is reflective of the most recent budget monitoring report presented to the Cabinet in which significant pressures were identified in both these key areas for 2021/22.

6.4 The 2022/23 budget relies on the achievement of a number of service led savings targets (developed in consultation with relevant portfolio holders) alongside additional crosscutting targets. The full saving list is included in Appendix 3 and summarised for each directorate below:

Directorate	**Specific Directorate savings**	**Additional Cross-cutting savings**	**Total 2022/23 Directorate Savings**
	£'000	**£'000**	**£'000**
Adults, Housing and Health	(2,264)	(117)	(2,381)
Children's Services	(2,859)	(140)	(2,999)
Housing General Fund	(1,495)	(24)	(1,520)
HR, OD and Transformation	(275)	(341)	(616)
Public Realm	(1,707)	(126)	(1,832)
Resources & Place Delivery	(1,963)	(945)	(2,908)
Strategy, Engagement & Growth	(355)	(94)	(449)
Wider Corporate Savings	(1,500)		(1,500)
Total	(12,418)	(1,787)	(14,206)

6.5 The following section sets out key growth and savings items for each directorate, supported by the full list in Appendix 3.

Adults, Housing & Health

6.6 Growth of £4.150m, funded through a combination of the Social Care precept, direct government grant and internal resources, has been allocated predominately to the external placements budget to support the increased demand for services (largely as a result of the COVID-19 pandemic). There is concern that the longer-term impact on service demand has not yet been fully realised at a local level and costs in this area will continue to increase.

6.7 Additional financial support will be required in this area in future years to ensure stability within the wider sector and is an issue that continues to attract national attention from pressure groups and advocacy groups.

6.8 A comprehensive review of the service has led to the identification of a number of targeted efficiencies across the fieldwork and provider services, including the amalgamation of the Older Peoples' Day Care Services and a change in the provision of the meal delivery service. As part of the continued transformation of Adult Social Care services, this proposal will achieve improved outcomes within provider and fieldwork services, whilst delivering a number of efficiencies.

6.9 Increased charging for domiciliary care will generate additional revenue and this will remain dependant on peoples' ability to pay. A thorough financial assessment and review process for each individual remains in place. The recent changes to government legislation regarding care cost cap will ensure no individual contributes more than £86,000 towards their care over their lifetime. The long-term impact of this legislative change on the Authority's finances will need to be considered as the detail of the proposals is shared with the sector.

Children's Services

6.10 Significant budget pressures have been highlighted in 2021/22, particularly regarding demand for placements for young people with more complex needs. These pressures will have an ongoing impact on future years. Growth has been allocated to the value of £3.091m to support key services related to looked after children's placements part funded by the 1.99% proposed increase.

6.11 Alongside this is an ambitious transformation programme that looks to reduce spend by over £3m in 2022/23, through a comprehensive review of education services, work to transform the delivery of social care, the continued review of high cost placements and a further review of the efficiency in which services are delivered. This will be informed by a specific financial review of the service to ensure a wider holistic view of the service can also inform the balance between the cost and effective delivery of the core services.

6.12 There remains significant risk in this area as reported throughout 2021/22 and the savings work continues against a backdrop of increased levels of looked after children. This will remain under review in the current year with actions being taken to address the significant high cost drivers.

Housing General Fund

6.13 A new approach to providing support for homeless people is intended to reduce significantly the demand for expensive temporary accommodation and the provision of Bed and Breakfast. The saving is based on the delivery of accommodation and hence any delay to the purchase of properties may affect the ability to realise fully the saving in 2022/23. There remains a focus to deliver the required accommodation in accordance with agreed timescales.

6.14 There is a specific reserve held to support this area that would provide one-off mitigation for any delays to the scheme becoming operational.

HR, OD & Transformation

6.15 Targeted staffing reductions and the use of capital funding to support the corporate transformation programme will realise a number of savings for the directorate.

6.16 The digital efficiency review is intended to identify a range of transactional processes across the authority that can be automated or streamlined and lead to a reduction in costs.

6.17 The centralisation of IT functions continues to rationalise and centralise further corporate systems that have historically been managed at directorate level. This ensures both the system and the service support required is considered in the context of the wider corporate IT delivery and enables rationalisation of systems and the associated support.

Public Realm

6.18 As part of the longer-term waste strategy, savings will also be realised by moving to fortnightly collection for residual waste, as agreed by Cabinet in November 2020. This transformation initiative's intention is to increase recycling rates by encouraging the use of the weekly recycling (blue) bin service, and to discourage the use of general waste (green/black) bins for anything other than non-recyclable waste, so to help move the council closer to complying with environmental requirements as set by the government (and thus, avoid penalties for recycling rates considered 'under target').

6.19 Continued work with external bodies will generate additional income for the Counter Fraud Team. This builds on the current service provided to central government to tackle fraud arising from the implementation of business loan schemes in response to the pandemic. The wider more commercial approach to income generation across the directorate will generate increased income from the enforcement of parking regulations, developing the commercial offer in respect of grounds maintenance and the provision of CCTV services.

Resources & Place Delivery

6.20 Capitalisation of staff time to relevant capital projects will reduce the pressure on the general fund budget whilst ensuring service levels are maintained across key areas.

6.21 A review of assets held by the authority, including the identification of those surplus to requirements, or those which are not efficient/self-sufficient, is intended to realise revenue savings by reducing the day-to-day running costs of the individual sites. Previous papers have been presented to Cabinet and discussions are ongoing regarding a number of options.

Strategy, Engagement & Growth

6.22 Customer Services face-to-face support was significantly scaled back as part of the national restrictions implemented during the pandemic however, support continued to be provided by telephone, via email and by accessing services online. The council's customer services strategy promotes self-service for residents who can access services digitally and aims to ensure vulnerable residents get the support they need. It is the intention to continue this approach and further develop digital by default for universal services while ensuring resource is focused on supporting the most vulnerable residents to realise associated savings in the base budget.

6.23 The impact of the above on each directorate's cash envelope for 2022/23 is shown in Appendix 4.

Use of Reserves and the Flexible Use of Capital Receipts

6.24 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.

6.25 This has led to direct and indirect pressures and fluctuations. As such, a partial use of reserves continues to support the delivery of the 2021/22 budget. As noted above, the MTFS assumes a further use of reserves to support the delivery of the core budget in 2022/23. £3.3m is expected to be required to meet the underlying pressures but is subject to delivery of the 2021/22 position that will be confirmed at the end of the current financial year. This assumes that the £11m General Fund Balance remains intact.

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

6.27 Based on the above, the Corporate Director of Resources & Place Delivery recommends the retention of the optimum balance of £11m as at 31 March 2022. This is reflected within the s25 statement at Appendix 1.

6.28 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 – a lift of 300% (£8m in 2016 to £24m at the start of the pandemic in March 2020). This included the creation of financial resilience reserves, which are planned to provide £4.684m to address pressures arising in response to the pandemic.

6.29 Furthermore, the planned flexible use of capital receipts will support the ongoing wider transformation activities and will support the delivery of the savings programme to ensure services that are financially sustainable in the medium term.

This allows local authorities to spend up to 100 per cent of their fixed asset receipts on the revenue costs of service reform and transformation.

6.30 This flexibility has been in place since the 2015 Spending Review and was recently extended by government until 31 March 2022. In February 2022, the government then set out its intention to extend further the deadline by another 3 years to 31 March 2025. It is noted that while assurance has been given over the continued use of this flexibility the regulations have not yet been formally laid and hence this remains under review. Confirmation on the position will be provided to Members once the regulations are formalised as part of the regular financial reporting process.

6.31 Transformation will continue to be achieved by using funding to develop savings programmes that continue to evolve around the following themes:

- Investment in technology;
- Investment in data and insight;
- Investment in new ways of working;
- Engaging and empowering our communities;
- Leveraging our partnerships; and
- Investing and rationalising the civic estate.

6.32 In terms of digital technology, the Council has moved to a fully agile approach and this transition continues to provide further opportunities for efficiency savings and improved productivity. The Digital Board is the key driver for further transformational projects and the funding will support the delivery of existing programmes planned for 2022/23 as well as forming the basis for further savings in 2023/24.

6.33 As required under the terms of the flexibility offered the funding will be applied to transformational activity that generates ongoing savings to the Council. There is a planned use of £3m and this investment will be specifically allocated to support savings programmes that will address the funding gap in 2023/24. This will be reported back to Members as part of the ongoing updates to the MTFS in the financial year.

6.34 The funding is based on the underlying capital receipts being generated in the 2022/23 financial year and links directly to the wider asset review programme. This is also reported back to Cabinet periodically.

7 Government Funding – Dedicated Schools Grant

7.1 On 17 December, the Secretary of State for Education announced details of the Dedicated Schools Grant (DSG) allocations for 2022/23. The tables below shows the agreed funding for Thurrock:

Dedicated Schools Grant	2021/22	2022/23	Increase
	£m	£m	£m
Schools	140.936	146.520	5.584
Central Services	1.783	1.688	(0.095)
High Needs	28.091	32.689	4.598
Early Years	12.877	10.734	(2.143)
Total	**183.687**	**191.631**	**7.944**

7.2 The autumn 2021 spending review confirmed £1.6 billion of additional funding for schools and high needs for the 2022/23 financial year. This provides support for the costs of the Health and Social Care Levy and wider costs. This funding will be allocated through the schools' supplementary grant 2022/23.

7.3 The schools' supplementary grant will fund maintained schools, academies and free schools. Thurrock's indicative allocation is £4.313m and the individual school allocations will be published in spring 2022. Academies are funded directly by the Education and Skills Funding Agency (ESFA) and are not reflected in the table above.

7.4 The High Needs additional supplementary funding, provided through the 2021 spending review, of £1.234m in respect of the Health and Social Care Levy is reflected in the table above and is part of the additional £4.598m High Needs Block increase.

Schools

7.5 Thurrock's funding formula in 2022/23 has implemented the following principles consistent with the decision made by Cabinet in December 2021:

- National Funding Formula values have been applied;
- An inflationary increase of £1.034m has been applied to Basic Entitlement values;
- Retained growth fund has been set at £0.887m; and
- Schools Forum have agreed a £0.700m transfer from the Schools Block to the High Needs Block to support increase in demand for specialist placement and Education, Health & Care Plans.

High Needs

7.6 In 2022/23 High Needs Block funding has an allocation of £32.689m, an increase of £4.598m or 14%. Whilst the increase is welcome, Thurrock continues to experience high level of demand for specialist places and Education, Health and Care Plans. The 2021/22 projected outturn is an overspend of £0.9m.

7.7 In 2022/23, the expansion of the local offer will increase commissioned numbers for the academic year to 806, an increase of 74. This reflects an increased in Treetops Free School, Primary Autism, and Secondary SEMH provision. In addition, band values across all providers have been increased by 4.25% to reflect increased costs and inflationary pressures.

Early Years

7.8 In November, at the Spending Review, the Chancellor announced additional funding of £160m for 2022/23, £180m for 2023/24 and £170m for 2024/25 to enable local authorities to increase hourly funding rates paid to childcare providers for the government's free childcare entitlements.

7.9 As a result of this, ESFA have confirmed that in 2022/23 the hourly funding rates will increase by 21p an hour for the two-year-old entitlement and by 17p an hour for the three-and-four-year-old entitlements.

7.10 In order to support settings Thurrock is to increase the funding rates paid to:

- 2 year-olds to £5.44 per hour, an increase of 21p per hour
- 3 and 4 year-olds to £4.48 per hour, an increase of 12p per hour
- Deprivation rates paid to 3 and 4 year olds, equal to a 3p per hour increase.

7.11 The complexity of the funding and continued uncertainty in early year numbers, arising from coronavirus, means it is not possible to passport the full hourly increase for three-and-four-year-old entitlement in 2022/23. However, in 2021/22 three-and-four-year-old providers did receive 2p per hour more than provided by ESFA.

Dedicated Schools Grant 2022/23 –Thurrock Allocation

7.12 On calculation of the School budget for 2022/23 the ESFA fund directly Academies (shown as Academy Recoupment). The Dedicated Schools Grant to be received by Thurrock Council in 2022/23 is shown in the table below:

Dedicated Schools Grant Funding Settlement	DSG	Academy Recoupment	Funding Block Transfer	Thurrock DSG
	£m	£m	£m	£m
Schools Block	146.520	(141.118)	(0.700)	4.702
Central Schools Block	1.688			1.688
High Needs Block	32.689	(6.214)	0.700	27.175
Early Years Block	10.734			10.734
Total	**191.631**	(147.332)	**0.000**	**44.299**

8 Capital Programme

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

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

- Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings. The Property Board, at the request of Cabinet, continues to strategically challenge the use of assets and which results in an outcome based on the simple ethos of Release – Reuse - Retain;

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

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

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

Current Programme

8.3 Before considering the new proposals, it is worth reflecting on the allocations that have been agreed over recent years. These are summarised in Appendix 5 covering the period 2021/22 through to 2024/25.

8.4 The major projects that are included within the current programme are set out below and continue to be monitored by the Corporate Major Projects Board.

Major Projects
The widening of the A13
Purfleet Regeneration
A13 Eastbound Slip Road
Civic Estate Improvements
Grays Town Centre and Underpass
Stanford-le-Hope Interchange
Integrated Medical Centres
Improvements to parks and open spaces
New Educational facilities
The HRA Transforming Homes programme
HRA New Build Schemes
Highways infrastructure

8.5 Further additions will be finalised and agreed in 2022/23 in respect of the Towns Fund Programme for both Grays and Tilbury. These projects are funded by central government grant allocations and are currently at a feasibility stage. Furthermore, an outline capital programme funded from the projected retained rates income within the Freeport area is under consideration as part of the completion of the Full Business Case.

8.6 No further funding for feasibility projects is sought for 2022/23. 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.

8.7 The Capital Project Programme spend is projected to be £634.526m (General Fund, HRA and TRL combined).

9 Draft Capital Proposals

9.1 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 6.

9.2 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 Directorate/Board for allocation and monitoring. Funding is only committed in response to a specific need by the relevant service and is subject to finance approval. The further amounts have been assessed for the forthcoming year specifically to ensure priority work can be delivered. Subsequent years will be considered in the relevant year and in the context of the financial position at that point.

Project Pots	Examples	2022/23 £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.	2.050
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.	2.100
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, compliance work and minor enhancements.	1.100

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

9.4 Highways are expected to receive in the region of £4m per annum whilst Education are expected to receive a further £2m in 2022/23 with further allocations for free schools.

10 Other Capital Recommendations

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

- If additional third party resources are secured, such as government grants and s106 agreements, for specific schemes; 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.

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

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

11 Issues, Options and Analysis of Options

11.1 This report sets out the changes from the current 2021/22 budget that are proposed for 2022/23. The impact on service delivery, particularly as a result of the proposed savings targets, will be closely monitored throughout the year to ensure essential front line services are provided to the required level.

11.2 Officers recommend a maximum council tax increase 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.

11.3 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.

11.4 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 (or potentially the Community Infrastructure Levy – should such an arrangement be introduced in the future), 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.

12 Reasons for Recommendation

12.1 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 2022/23 but relies on the use of capital receipts and general fund reserves.

12.2 The capital programme forms part of the formal budget setting process and is an integral part of the Council's overall approach to financial planning.

13 Consultation (including Overview and Scrutiny, if applicable)

13.1 This report has been developed in consultation with the Leader, Portfolio Holders and Directors' Board.

13.2 Corporate Overview and Scrutiny Committee considered factors of this report at their meeting on 18 January 2022. Key points noted include:

- The proposed council tax increases were supported by the committee with four in favour and two Members against;
- Concern was noted in respect of the proposed increases in the context of the wider cost of living increases;
- Acknowledgement that core services (and particularly social care) require the additional funding raised from the proposed council tax increases to address the challenge of significant additional demand in the system;
- The need to further develop capacity to enable more effective engagement with central government on the development of policy and the associated funding impacts;
- Concern regarding capacity and the ability to deliver the ambitions of the Council following the success in securing funding through Freeports (subject to acceptance of the full business case) and the Towns Funds. This will be further considered once the Levelling Up white paper is released and its implications fully understood; and
- Acknowledgement that the additions to the capital programme were required to be limited to essential schemes in the context of the wider MTFS position. There was a request to consider the availability of more fuel-efficient vehicles in respect of the replacement fleet vehicles.

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

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

14.2 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.

15 Implications

15.1 Financial

Implications verified by: **Sean Clark**

Corporate Director of Resources and Place Delivery

The financial implications are set out in the body of the report and the appendices. The report sets out a balanced budget for 2022/23 on the basis that proposed funding decisions and actions to deliver savings are supported by Members.

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

Members should note that the actions set out do not fully 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.

15.2 Legal

Implications verified by: **Gina Clarke**

Corporate Governance Lawyer and Deputy Monitoring Officer

The provisions of the Local Government Act 1992 states that local authorities are required to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council is required to set a balanced budget with regard to the advice of the Council's Section 151 Officer.

The Local Government Finance Act 1988 (Section 114) places the responsible financial officer under an obligation to make a report to Full Council 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.

Furthermore the Council's Monitoring Officer is required to report to Full Council if it appears to him that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

The Council's Constitution sets out the process for preparing draft budget proposals for each municipal year including consultation requirements. The Council is also required to comply with other consultation obligations required by statute or the common law that may apply to certain proposals being considered. The responses produced by the relevant consultations must be taken into account in finalising budget proposals.

In addition, the Council when exercising its functions must have due regard to its equalities duties under section 149 of the Equalities Act 2010.This can be achieved by considering the equalities and diversity implications at all stages of the budget setting process to ensure that budget proposals do not discriminate against any of the protected equality groups.

The setting of the budget is a function reserved to Full Council, who will consider the draft budget prepared by the Leader/Cabinet.

15.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**

Community Engagement and Project Monitoring Officer

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.

15.4 **Other implications (where significant – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and Looked after Children)**

The council declared a Climate Emergency in 2019 through a motion at full council. The council's current investments continue to contribute towards the green agenda through supporting renewable energy schemes across the UK – notably, external advise is that one part of the portfolio generates twice the amount of energy to power the borough of Thurrock each year. 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.

16 Appendices to the report

Appendix 1 –Section 151 Officer's Statement on the adequacy of balances and the robustness of the budget 2022/23
Appendix 2 –Medium Term Financial Strategy
Appendix 3 – Full list of savings targets
Appendix 4 – Directorate budget allocation
Appendix 5 – Current Capital programme summary
Appendix 6 - New Capital Projects

SECTION 151 OFFICER'S STATEMENT ON THE ADEQUACY OF BALANCES AND THE ROBUSTNESS OF THE BUDGET – BUDGET YEAR 2022/23

Introduction

The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act which states the following:

(*1*) *Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or section 85 of the Greater London Authority Act 1999 (c.29) (Greater London Authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:*

(a) The robustness of the estimates made for the purposes of the calculations; and

(b) The adequacy of the proposed financial reserves.

(2) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.

This includes reporting and taking into account:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions; and
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council.

This report has to be considered by Council as part of the budget approval and Council Tax setting process.

This document concentrates on all of the Council's budgets but, in addition, it also considers key medium term issues faced by the Council.

Impact of Covid-19 and Ongoing Risks

I reported last year on the impact that Covid-19 has had on the Council's finances and reported that these were likely to continue to add pressures well into the medium term.

Key pressures have come from:

- Adults' Social Care – the ASC market has required resilience support due to both increased costs and the fact that Thurrock Council is, nationally, low cost in this service area. The service has also seen an increase in demand and

cost pressures are only being contained through additional government financial support that will be phased out;
- Children's Services – increase in referrals and numbers in remand that the Council is obligated to pay for. This is reflected in the 2021/22 budget monitoring that showed a projected overspend in Social Care of £4.8m that was partly offset by additional financial support – the net pressure was £2.978m;
- Homelessness – cost of increased homelessness activity; and
- Other – loss of income across all services.

This is reflected in the 2022/23 budget through an increase to social care budgets of £7.241m (equivalent to a circa 10% increase in council tax) and no target for additional income from core income streams.

Borrowing and Investments

The council currently has a net debt position of circa £292m in the General Fund and £230m in the Housing Revenue Account. Gross borrowing is circa £1.46bn but is offset by circa £944m owed to the council from repayable investments.

These investments currently return a surplus in excess of £30m per annum that has been used in recent years to:

- Increase reserves;
- Maintain or enhance services levels; and
- Provide additional services outside of the council's core offer.

This has undoubtedly strengthened the council's financial resilience, supported the council's response to the pandemic and reduced the impact on services in both the current and next financial years.

The council has now ceased any new investment activity and this includes not replacing any maturing investments in the future.

There are risks associated with investments, the most significant being:

- Any investment can also result in a capital loss through, for instance, business failure;
- A reduction in annual returns. This is more likely in the current economic environment but is likely to only impact for the short to medium term;
- Early redemption of investments. A Bond issuer is entitled to redeem their debt earlier than the maturity date and will lead to a net reduction in the council's annual finances; and
- Interest Rates. The interest rates secured by the council are dependent on the availability of finance and the source. Members should note that there is no direct correlation between changes to the UK Base Rate set by the Bank of England and the rates that the council can access. Reports in previous months have recognised that the council has accessed funding from the Public Works Loans Board (PWLB) and this does incur higher rates.

Appendix 1

Local Government Finance/Central Government

Whilst there has been significant financial support from government to support local authorities through the pandemic, these have been largely phased out for the 2022/23 financial year. The biggest impact was the removal of the £4.853m core grant and no further support to reductions in fees and charges that have not returned to pre-pandemic levels.

The Chancellor announced in October 2021 a three year settlement for the Local Government sector. However, individually, local authorities have only been awarded a one year settlement and there is a clear intention to update the finance distribution methodology to meet the government's levelling up agenda. Simply, there will be the same amount of funding to the sector available but how it is distributed between authorities is likely to change.

Thurrock Council's Medium Term Financial Strategy currently assumes no change. However, the revised methodology will either increase or decrease resources although there will be some transitional protection in 2023/24 for those authorities that will see a reduction.

Recent years have also seen a transfer of responsibilities to local government. Whilst examples range from Public Health through to major infrastructure projects, such as the A13, there will be further requirements that cannot yet be quantified. Currently known examples include climate change targets and government's wider Levelling Up agenda.

The Medium Term Financial Strategy

For the financial years 2010/11 through to 2020/21, the council set budgets that did not require the use of reserves for core expenditure and, each year, has stayed within the agreed budget envelope.

It should be noted though that whilst there has been strong financial management within services, the main contributor to the above achievements has been through the Treasury and Accounting functions, neither of which will be able to support future activity to such an extent. These include:

- Debt refinancing from August 2010 – a move away from financing long term debt through the PWLB to accessing short term debt from the inter-local authority treasury market;
- Changes to the council's Minimum Revenue Provision (MRP) approach that has resulted in significant annual savings and large one off gains that has allowed the council to increase reserves and to provide the finance to exit the Strategic Service Provision contract; and
- Investments that contribute in excess of £30m per annum to the council's financial position.

The financial impacts of the pandemic, the wider rise in social care demand and complexity and inflationary increases impacting on pay, utilities and contracts requires budget increases that are far in excess of any additional income that can be raised through government support and council tax increases. It is clear that the council cannot continue to operate in the same way as it currently does and significant changes will be required to reduce the net expenditure.

As a short term measure, the council agreed to use reserves to support the 2021/22 budget and it is proposed that a further use of reserves is agreed for 2022/23. This approach is not feasible in future years as the reserves level are further reduced through this process.

The approach to the 2022/23 budget has been through a range of measures that either provide an ongoing benefit to the council or serve as a one off solution that simply defers the inherent budget pressures into future years. Whilst this is not ideal, it does afford the council more time to make the necessary changes to service provision. Key measures and their robustness are as follows:

- Council Tax Increases – permanent – a 2.99% increase, the maximum allowed – subject to council approval;
- Use of Capital receipts for Transformation Activity – one off - subject to disposals but achievable and robust;
- Use of Reserves – one off – confirmed;
- A series of departmental savings, including identified staffing reductions; and
- A continuation of the controls on recruitment to both create additional in-year savings and as part of the phased reduction required to balance 2023/24.

As such, I consider that the budget plans for the 2022/23 financial year are robust subject to the council approving council tax increases totalling 2.99%, though recognise the ongoing and increasing pressures within both Adults' and Children's Social Care.

There is far less certainty over the following years. The deferment of pressures in the budget through the use of reserves and capital receipts, along with other demand led and inflationary increases, result in a forecast deficit for the following two years of £14.3m.

Whilst this report only considers the period to 2024/25, these pressures also need to be seen in the context of years 2025/26 to 2028/29 when considering:

- History shows that the required growth in council's budgets always exceed the ability to raise finance through council tax thus leading to pressures every year; and
- The council's investments will mature over the medium term creating the need to meet the lost income currently in excess of £30m per annum.

Thurrock Council also has one of the lowest council taxes of all Unitary Authorities in the country and one of the lowest budgets per head of population. National benchmarking on Adults' Social Care, the council's largest budget, also demonstrates one of the lowest in the country. Considering this context, it is more difficult to see how the council can balance the budget over the next six to seven years without significant reductions to services and staffing levels.

Considering all of the above, the council's record of delivering balanced budgets and achieving savings targets provide confidence that the financial pressures can be met. However, this is going to require significant changes to service levels and delivery and the support of Members to achieve this.

Housing Revenue Account

Cabinet agreed a rent increase of 4.1% at its meeting on 9 February 2022. Whilst this is welcome, it also needs to be seen in the context of several years of rent reductions that have impacted on the HRA's ability to meet the levels of improvements and repairs identified within the Stock Condition Survey.

Work continues on identifying new build and estate regeneration opportunities with affordability remaining an issue in many cases. This will increase borrowing within the HRA, the costs of which are included within the Business Plan.

The use of right to buy receipts is being carefully managed to ensure that they are maximised with any repayment to government minimised.

Forecast levels of reserves within the HRA are adequate.

Capital Programme

The capital programme was reviewed during 2020 with a number of schemes paused. The reasons for this were two-fold – the need to minimise future borrowing and the related cost impacts on the MTFS and the need to recognise reductions in staffing levels and, therefore, the ability to deliver the number of projects previously agreed.

As set out above, there is currently a shift to transfer delivery and financial risk – previously borne by organisations such as National Highways– to local authorities. This has been seen on the A13 widening project and will need to be a key consideration when deciding upon other projects such as the delivery of the East Facing Slips.

Key risks within the capital programme therefore include cost over runs and the relevant delivery resources required.

General Fund Reserves

All councils hold two types of reserves:

- An unallocated balance which, at Thurrock Council, stands at £11m; and
- Ear Marked Reserves that are set aside for specific purposes. The majority of these are restricted to an imposed use and so not available for general support to the council's general fund budget.

This level of reserves has been considered adequate in recent years and remains so under normal conditions. The pandemic has challenged these norms but cannot be considered in determining the adequacy due to the high level of uncertainty. Whilst the level of reserves committed to support the budget protect the £11m balance, any cost over runs may well impact on this level being maintained.

Assurance

Given all these factors, especially given the history of delivering similar savings and the budget within the agreed envelope, I consider the estimates for 2022/23 to be sufficiently robust for approval by the Council. There are challenges and it is dependent on continued strong financial management from officers and Members.

Looking more medium to longer term is far more challenging especially considering the low level of council tax and overall budget envelope. It is difficult to state at this stage a level of confidence in agreeing balanced budgets from 2023/24 onwards, especially considering the additional responsibilities, risks and pressures set out above, coupled with the unknown impact of social care financial reform. Further reports will be provided to Members throughout the coming year on progress.

I consider the level of reserves within the General Fund and the Housing Revenue Account to be adequate at this time.

Appendix 2

Medium Term Financial Strategy

Narrative	2022/23		2023/24		2024/25	
	£000's		£000's		£000's	
Net Resources						
Council Tax LA Element 1.99% Increase	(1,420)		(2,688)		(2,282)	
Increase in the Council Tax Base	(1,197)		0		0	
Adult Social Care Precept 1%	(723)		(756)		(790)	
Business Rates Position	(1,998)		(2,165)		(3,165)	
Collection Fund adjustments	517		0		0	
Government Resources Position	796		784		157	
Net Additional (Reduction) in resources		**(4,025)**		**(4,825)**		**(6,080)**
Inflation and other increases						
Pay award and legislative changes	4,603		3,685		3,769	
Other	912		980		993	
		5,515		**4,665**		**4,762**
Treasury						
Interest Costs	3,500		3,065		1,000	
Investment Income	1,972		(117)		2,368	
MRP	1,282		0		0	
		6,754		**2,948**		**3,368**
Corporate Growth						
Adults	4,150		1,500		1,500	
Children's	3,091		1,814		1,814	
		7,241		**3,314**		**3,314**
Commercial Income		**(1,089)**		**0**		**0**
Core Budget Deficit before intervention		**14,395**		**6,102**		**5,364**
Savings						
Adults' Services:	(2,264)		(652)		0	
Children's Services:	(2,859)		(651)		0	
Public Realm:	(1,707)		(722)		0	
Resources & Place Delivery:	(2,463)		(120)		0	
Housing General Fund:	(1,495)		0		0	
Strategy & Engagement:	(355)		0		0	
HR; OD and Transformation:	(275)		(80)		0	
Corporate	(1,000)		0		0	
Total Departmental Savings		**(12,418)**		**(2,225)**		**0**
General Staffing	(438)		(1,063)		0	
Cross Cutting	(1,350)		(400)		0	
Wider Funding	0		0		0	
Total General Savings		**(1,788)**		**(1,463)**		**0**
Core Budget Deficit Position		**190**		**2,415**		**5,364**
11. Other funding (not affecting baseline)						
Capital receipts 2022/23	(190)		3,490		0	
Use of reserves 2022/23	0		3,000		0	
		(190)		**6,490**		**0**
Overall Budget Working Total		**0**		**8,905**		**5,364**

Appendix 3

Full Savings List

Adults' Services:		
Integrated Commissioning	(322)	
Review of High Cost Supported Living Placements	(400)	
New Model of Care – Supported Living	(200)	
Implement increased Domiciliary Care Charging Immediately	(205)	
Review and reduce ASC Fieldwork establishment	(150)	
ASC Provider Services Transformation	(554)	
Public Health restructure and establishment reduction	(88)	
Public Health contribution to ASC	(200)	
Reduction of Admin Function from 6.0WTE to 5.0WTE	(48)	
Efficiencies from ending Section 75	(98)	
		(2,264)
Children's Services:		
Comprehensive Review of Education Services	(670)	
Home to School Transport	(150)	
Placements	(300)	
Review of Administration / Business Support / Commissioned services	(200)	
Commission Emergency Duty Team	(300)	
Social Workers	(1,000)	
Nursery provision – Delivery Vehicle Change	(64)	
Learning Universal Outcome	(175)	
		(2,859)
Public Realm:		
Fortnightly Collection (Non-recycled and garden waste)	(322)	
Commercial Waste	(50)	
Bulky Waste	(20)	
Counter Fraud Commercial Income	(500)	
Commercially Trade CCTV Capability	(100)	
Introduce Pay & Display in some green-space Car Parks	(100)	
Commercial Grounds Maintenance Contracts	(150)	
Council vehicles to be parked in the Depot overnight to reduce fuel costs	(21)	
Cemetery Open Hours	(19)	
Off- hire long term hire vehicles (not Covid related)	(48)	
Increase Street works permitting income	(8)	
Ceased Everbridge contract	(4)	
Keep Britain Tidy - Street Cleanliness Assessments	(15)	
Parking enforcement net income	(150)	
		(1,507)
Resources & Place Delivery:		
Targeted Staff Reductions	(63)	
Capitalisation	(1,400)	
MRP and Treasury	(500)	
Top Slice Grants	(500)	
		(2,463)

Appendix 3

Full Savings List

Housing General Fund:		
Reduce Private Sector TA with in borough provision	(1,495)	
		(1,495)
Strategy & Engagement:		
Continuing limited face to face offer	(200)	
Review of PQBS team structure	(45)	
Review of advertising & publicity, look to use more online platforms	(25)	
Operational & Finance support for High House Production Park	(85)	
		(355)
HR; OD and Transformation:		
Training	(75)	
Members Enquiries	0	
IT	(50)	
Capitalisation	(100)	
Centralisation	(50)	
		(275)
-		
-		
Corporate		
Adjustment to baseline pay	(1,000)	
		(1,000)
-		
Other Decisions within Council Control		
Major Route/Weekend Cleaning Efficiencies	(100)	
Grounds Maintenance Efficiencies	(100)	
-		**(200)**
-		
Total Departmental Savings		**(12,418)**
-		
10. General Staffing		
Digital Efficacy Review Further 25 Staff by mid 2022/23	(438)	
		(438)
11. Cross Cutting		
Stationery/postage reduction	(50)	
Review of non-essential spend (subscriptions/project work/professional fees)	(100)	
Efficiencies & process automation (linked to digital offer)	(100)	
Additional General Costs - following DB	(250)	
Asset Rationalisation - reduced to £850k 4/10/21	(850)	
		(1,350)
Total Savings		**(14,206)**

Appendix 4

Indicative Directorate Budget Impact

Directorate	Current 2021/22 Budget	Removal of one-off funding	Net resources	Inflation & Other Increases	Corporate Growth	Treasury	Commercial Income	Savings allocation	Capital Receipts 2022/23	Budget re-base	Cash envelope 2022/23
Adults; Housing and Health	47,329	(703)	(442)	874	4,150	0	0	(2,402)	0	0	48,806
Central Financing	(117,370)		(6,799)	0	0	0	0	0	0	1	(124,168)
Children's Services	42,064	(342)	(1,737)	1,087	3,091	0	0	(3,034)	0	55	41,183
Housing General Fund	1,988	(170)	0	93	0	0	0	(1,522)	0	(0)	389
HR; OD and Transformation	8,906		0	386	0	0	0	(618)	0	0	8,674
Public Health	203	(203)	0	0	0	0	0	0	0	0	0
Public Realm	35,387	(125)	0	1,749	0	0	0	(1,852)	0	(52)	35,107
Resources & Place Delivery	16,727	(610)	0	563	0	0	0	(2,910)	0	295	14,065
Strategy; Engagement & Growth	3,791		0	215	0	0	0	(449)	0	(0)	3,557
Treasury & Corporate costs	(39,025)	2,153	4,953	549	0	6,754	(1,089)	(1,418)	(190)	(299)	(27,612)
Grand Total	**0**	**0**	**(4,025)**	**5,515**	**7,241**	**6,754**	**(1,089)**	**(14,206)**	**(190)**	**0**	**0**

Appendix 5

Current Capital Programme Summary

Directorate ID	Total Budget 2021/22 £'000	Total Budget 2022/23 £'000	Total Budget 2023/24 £'000	Total Budget 2024/25 £'000
Adults; Housing and Health	3,056	7,047	3,500	0
Chief Executive's Office	7,000	0	0	0
Commercial Services	18	0	0	0
Children's Services	5,064	9,411	7,000	0
HR; OD and Transformation	18,329	9,170	200	0
Public Realm	24,380	10,648	16,213	23,625
Resources & Place Delivery	59,444	30,524	24,484	10,300
Strategy; Engagement & Growth	304	63	0	0
Housing HRA	54,775	7,904	0	0
Total	**172,370**	**74,767**	**51,397**	**33,925**

Appendix 6

New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
Fleet vehicle replacement	Julie Rogers	To tender for the replacement of vehicles purchased from 2015-2017 as part of the vehicle replacement programme. All vehicles are put on either a 5 or 7-year renewal programme dependent of cost and operation. There are 8 Kubota F3890 ride on mowers due for renewal under the 5-year plan, purchased in June 2017 and reaching end of life they are now becoming uneconomical to repair due to the nature of their work and amassing vehicle downtime. Costs associated are approximately £21,000 per machine (£168,000) and will be phased over 5 years. There is also a requirement to purchase seven vehicles for housing caretakers to replace their current fleet vehicles that are again at the end of their 5 year planned replacement programme these include Medium vans, 3.5 and 5t tippers that are used to carry out their frontline operations. These will be specified in line with user requirements and with due consultation with the user. Cost associated with this are approximately £200,000 total. Adult social care also have 5 vehicles due replacement that are used for transporting clients to and from care facilities. These vehicles are 7 years old in 2022 and again are at the end of their replacement cycle. Estimated costs for renewal are approximately £310,000.	678,000	168,000	510,000	-

Appendix 6

New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
		Please note at the time of replacement diesel fuelled vehicles are understood to be the only option as zero emission vehicles are either not available in this class or at infant stage with associated costs. However, further work will be undertaken to assess this potential route.				
1934 Fort Road Tilbury - Bridge repairs	Julie Rogers	Fort Road bridge is a strategically important highway asset in Tilbury which provides key linkages over the C2C Fenchurch Line for HGV movements to and from EMR Metal recycling and also Goshems Farm. Following a recent Special Inspection, it has been found to be showing significant failures in key elements. The structure is in a critical condition and needs key maintenance repairs undertaken to ensure durability of the structure and to future proof it. However due to the position of the structure over the railway line and the potential type of repair methods needed, it is likely to require significant works. Failure to action the issues will lead to high probability of failures of structures and/or long closures of strategic link and places the Authority at risk of claims. The proposal is commence design work and liaison with Network repair works. Aims of the project are to repair structure to ensure no liability going forward and allowing key HGV movement over the structure without diverting through East Tilbury or West Tilbury. Temporary	785,000	85,000	700,000	-

New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
		closures will be required to facilitate the repairs however but this will managed to ensure they are kept to minimum.				
Junction 31 Electrical Repairs	Julie Rogers	Junction 31 (M25/A1306 interchange) is part of Thurrock adopted Highway Network, as are the assets within it. National Highways have no legal obligation or requirement to maintain J31. The existing infrastructure for the assets consist of approximately 1km of cabling and houses approximately 100 street lighting assets and the associated cabling network which provides lighting for all roads users, including pedestrians and cyclists on the northern, eastern and western sides. This junction has a long history of faults associated with failing infrastructure that pre-dates any records we hold for the assets. These range from an 'all out' that means a significant proportion of assets out to individual cable faults. The faults are generally down to condition and age of the cabling network and damage caused by other	510,000	170,000	170,000	170,000

Appendix 6

New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
		works completed over the years and are now a significant safety risk. Faults are typically expensive to rectify and having an impact on the revenue budget. With faults costing in the range £1500-£3000, due to complexities of the site and requirements for traffic management. The latest repair being £16k. Therefore, the proposal is the renewal and overhaul of all the associated street lighting assets.				
Orchard Footbridge renewal	Julie Rogers	Orchard Road footbridge is a strategically important highway asset in South Ockendon which provides key linkages over the C2C Fenchurch Line for pedestrians connecting two conurbations. Following a recent Principle Inspection, it has been found to be showing significant failures in the supporting elements. The structure is in a critical condition and needs to be either refurbished or replaced. However due to the	645,000	85,000	560,000	-

New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
		position of the structure over the railway line and the potential type of repair methods needed, it is considered better to replace the structure or parts of as refurbishing will incur significant risk and cost. Failure to action the issues will lead to high probability of failures of structures and/or long closures of strategic link and places the Authority at risk of claims. The proposal is commence advance design work and liaison with Network on a preferred options and then onto implementation. Aims of the project are: 1. to provide a cost effective structure which reduces long term maintenance liabilities associated with Network Rail land 2. a structure which significantly improves ASBO concerns 3. improved connectivity for all vulnerable road users				
Corporate Landlord's Maintenance Program	Sean Clark	Thurrock Council has a legal responsibility for a number of properties used by the council for direct service provisions and, in some cases, for properties that are leased out. This bid reflects the necessary works	1,925,000	1,100,000	825,000	-

Appendix 6

New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
		required over the next three years to meet those obligations.				