

<b>28 February 2018</b>		<b>ITEM: 13</b>
<b>Council</b>		
<b>General Fund Budget Proposals</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Yes	
<b>Report of:</b> Councillor Rob Gledhill, Leader of the Council		
<b>Accountable Assistant Director:</b> n/a		
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT		
<b>This report is Public</b>		

### **Executive Summary**

This report sets out the draft budget proposals for a balanced budget for four of the financial years from 2018/19 through to 2021/22. This is based on a number of service review and investment assumptions, including the Council supporting the proposed approach towards Thurrock Regeneration Ltd.

Furthermore, this paper confirms that the general fund balance (the council's non-specified reserve) has been increased by 38% to £11m.

This paper has been produced based on the principles established via the Council Spending Review (CSR) process, including the impact of the Investment approach adopted by the Council at its meeting on 25 October 2017.

The ambition for self-sufficiency is to create a budget which works for all Thurrock residents; by building financial resilience and independence into the council's spending and borrowing ability.

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

The new Transformation Programme approach is managed through a number of Strategic Boards, all of which are overseen by the Transformation Board. The proposals for the 2018/19 budget have been considered by the Corporate Overview and Scrutiny Committee over recent months where the main feedback has been around the practical deliverability of some savings proposals.

The report presented to Cabinet on 10 January 2018 presented a proposed balanced budget for the financial years 2018/19 and 2019/20. This report has subsequently been considered by Corporate Overview and Scrutiny at its meeting on 23 January 2018 and the committee's comments are included in the main body of the report where applicable. This report presents the final budget proposals agreed by Cabinet at their meeting on 7 February 2018 that, subject to other approvals, sets out a forecast balanced budget for the next four years.

This budget includes significant revenue investment in the frontline services of children's and adults' social care and further support to the Clean It, Cut It, Fill It initiative through increased allocations to the Environment Service. In addition, the capital programme includes proposals that build on this investment whilst the future and aspirational proposals includes strategic and place making schemes supporting both the place making and commercial agendas.

**1. Recommendations:**

**That the Council:**

- 1.1 Considers and acknowledges the Section 151 Officer's (Director of Finance and IT's) S25 report on the robustness of the proposed budget, the adequacy of the Council's reserves and the Reserves Strategy as set out in Appendix 1, including the conditions upon which the following recommendations are made;**
- 1.2 Agree to a 3% council tax increase in respect of Adult Social Care;**
- 1.3 Agree to a 1.99% council tax increase in support of the general budget;**
- 1.4 Approve the Dedicated Schools Grant as set out in section 8 and Appendix 5;**
- 1.5 Approve the new General Fund capital proposals, including the allocation for feasibility work on future and aspirational proposals, as set out in section 10 and Appendix 8;**
- 1.6 Delegate to Cabinet the ability to agree schemes (a) where it can be evidenced that there is a spend to save opportunity or (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 2018/19 is £65,407,870 as set out in the table at paragraph 5.8 of this report.**
- 1.8 That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:**
  - (a) £402,469,412 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.**
  - (b) £337,061,542 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.**
  - (c) £65,407,870 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) £1,287.81 being the amount at 1.8(c) above (Item R), all divided by Item T (Council Tax Base of 50,790), 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) £1,287.81 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 Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below.**
- 1.10 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 2018/19 for each part of its area and for each of the categories of dwellings.

**2018/19 COUNCIL TAX FOR THURROCK PURPOSES EXCLUDING ESSEX FIRE AUTHORITY AND ESSEX POLICE AUTHORITY**

Amounts for the Valuation Bands for 2018/19							
A £	B £	C £	D £	E £	F £	G £	H £
858.54	1,001.63	1,144.72	1,287.81	1,573.99	1,860.17	2,146.35	2,575.62

- 1.11 That it be noted that for the year 2018/19 Essex Police Authority has stated the following amounts in precept issued to the Council for each of the categories of dwellings as follows:

Amounts for the Valuation Bands for 2018/19							
A £	B £	C £	D £	E £	F £	G £	H £
112.68	131.46	150.24	169.02	206.58	244.14	281.70	338.04

- 1.12 That it be noted that for the year 2018/19 Essex Fire Authority has stated the following amounts in precept issued to the Council for each of the categories of dwellings as follows (waiting on formal confirmation):

Amounts for the Valuation Bands for 2018/19							
A £	B £	C £	D £	E £	F £	G £	H £
46.92	54.74	62.56	70.38	86.02	101.66	117.30	140.76

**2018/19 COUNCIL TAX (INCLUDING FIRE AND POLICE AUTHORITY PRECEPTS)**

Amounts for the Valuation Bands for 2018/19							
A £	B £	C £	D £	E £	F £	G £	H £
1,018.14	1,187.83	1,357.52	1,527.21	1,866.59	2,205.97	2,545.35	3,054.42

## 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 28 February 2018, Members should be aware that the Council will not have a legal budget and this will impact on service delivery and cashflow with immediate effect whilst damaging the council's reputation and can, as a last

resort, lead to intervention from the Secretary of State under powers given by section 15 of Local Government Act 1999.

- 2.2 The role of Council is to agree the level of council tax and 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 2018/19 General Fund revenue and capital 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 Director of Finance and IT's statutory statement on the robustness of the estimates and adequacy of reserves under s25 of the Local Government Act 2003 is included at appendix 1. This must be considered by the Council before approving the council tax level.

## **Revenue**

### **The 2017/18 Budget Position**

- 2.6 Members have received reports throughout the year that have set out the ongoing pressures in Children's Social Care and the Environment Service. The nature of these pressures are specific and support the cross cutting approach to targeted savings as these have largely been achieved. This is recognised within the s25 statement when considering the robustness of estimates for 2018/19. The reports have also set out the mitigation that has been taken to deliver a balanced budget position for the financial year 2017/18.
- 2.7 Work continues on finalising these projections and officers remain confident that further mitigation and favourable variances will be identified to stay within budget at year-end. The impact of the ongoing pressures has been built into the base budget for 2018/19.

### **Financial Self Sustainability and Government Grants**

- 2.8 Government funding of its main grant (formerly Formula Grant) is now the third ranked provider of funding for the Council's total general fund budget (excluding schools) after council tax and business rates. As such it represents a reducing factor in determining the Council's revenue budget. The provisional Local Government Finance Settlement for 2018/19 was issued by the Ministry for Housing, Communities and Local Government (MHCLG) on 19 December 2017 and this represents the Government's next three year spending plan.
- 2.9 The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013, with

the main changes being from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. All forecasts continue with the principle of phasing out reliance on central government support and to replace this with income raised locally through council tax, business rates and income generation.

- 2.10 Regarding Adult Social Care (ASC), the ability for the council to raise an ASC precept of up to 3% in council tax remains for 2018/19 and has been a constant assumption within the MTFs throughout the last year. At present, the ability to raise ASC precepts in and from 2019/20 does not exist.
- 2.11 The Local Government Finance Settlement also included a further ASC Grant, for 2018/18 only, of £0.409m. This is in addition to the precept and a circa £1m increase in the Improved Better Care Fund.
- 2.12 Recognising the direction of travel towards financial sustainability, the MHCLG did increase the amount that a council could increase the council tax, in addition to the ASC precept, from 1.99% to 2.99% for each of the next two years. Council tax proposals for 2018/19 are set out below.
- 2.13 The Council also receives a number of grants for specific purposes. In line with the overall direction of reducing government support, the reductions in these grants have been factored into the MTFs. The most significant grants are for Education Support, Housing Benefits Administration and Public Health.
- 2.14 As part of the reforms contained within the Health and Social Care Act 2012, responsibility for commissioning certain public health functions moved from the NHS to Local Authorities. In 2013 a ring fenced Public Health Grant was provided to all top tier local authorities in order to commission mandated and discretionary Public Health services.
- 2.15 During 2015/16, the then Chancellor announced in-year reductions to the grant of 6.2% amounting to an in-year reduction of £655k. A further reduction of up to 3.9% was announced in the 2015 Autumn Statement and this has increased the annual reduction to £924k in 2016/17. A further reduction of £286k was announced for 2017/18 and a further £291k reduction in 2018/19.
- 2.16 Whilst 100% business rate retention did not factor in the Queen's Speech in 2017, the MHCLG has since announced its intention to move to 75% retention by 2020/21. Currently the council retains circa £35m from a total collection of £117m (30%) against a headline of 49% retention. Gains for Thurrock Council through a greater headline retention cannot be guaranteed and so are not assumed. What is known at this time is that other grants, such as Public Health Grant, will be met from greater retention but then at the loss of the specific grant.

### 3 Collection Fund Balances and Council Tax Base

- 3.1 The Constitution was amended to delegate the calculation and agreement of collection fund balances and the council tax base to the Director of Finance and IT.

#### Collection Fund

- 3.2 The collection fund is where the transactions for council tax and business rates billing, collection and distribution is accounted for. Councils are required to separately estimate the balance as at 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 taken into consideration within these budget proposals and precepting bodies have been notified.
- 3.4 Based on the latest forecasts of collections and write offs the Council Tax Collection Fund is estimated to be a surplus of £1,741 as at 31 March 2018. This is apportioned to the major preceptors as follows:

<b>Major Precepting Authority</b>	<b>£</b>
Thurrock Council	1,470
Essex Police Authority	188
Essex Fire Authority	83
<b>Total Allocated</b>	<b>1,741</b>

- 3.5 Based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a surplus of £142,857 as at 31 March 2018. This is apportioned under regulations as follows:

<b>Major Precepting Authority</b>	<b>£</b>
Thurrock Council	70,000
Central Government	71,428
Essex Fire Authority	1,429
<b>Total Allocated</b>	<b>142,857</b>

#### Council Tax Base

- 3.6 The Council Tax Base is the calculation formed by considering the number of properties within the borough at the various bands of A to H, the discounts currently being afforded to a number of those properties and the likely reduction in liability through the Local Council tax Scheme (LCTS).
- 3.7 All properties are then averaged to create an equivalent of a number of Band D properties that is then used to calculate the council tax income within the budget. Whilst there are over 67,000 properties in the borough, these equate to a Council Tax Base of 50,790 Band D properties. When multiplied by the

proposed council tax level of £1,287.81, a total of £65.4m will be raised through council tax.

## **4 Council Tax Proposals**

- 4.1 The Localism Act 2011 introduced the concept of a referendum where a proposed council tax increase exceeds its excessiveness principles either by the billing authority (Thurrock Council) or one of its major preceptors. Simply, a referendum would be required if the Council resolved to increase council tax by a higher percentage than the government guidelines. This report does not propose increases that would call for a referendum.
- 4.2 As reported last year, Thurrock Council has the third lowest council tax and council tax income of the 55 Unitary Councils in the country and the lowest council tax in Essex. This low base means that, financially, Thurrock Council has less income than comparable councils to deliver the same suite of services, irrespective of demographic need, and limits any increase through the Adult Social Care precept as any percentage increase is on a lower amount than other authorities. A low base also means reduced flexibility in terms of having surplus funds to spend on capital projects and other initiatives, without having to rely on prudential borrowing where the need is identified.
- 4.3 The council has made significant progress through the CSR process, specifically around the commercial and investment approaches. However, the most significant and stable income stream that the council has is through council tax and building this base is critical to sustaining the services offered by the council, when accounting for inflation, wage increases in the social care sector etc.
- 4.4 There are two elements to the council tax that need to be considered:
- The general increase – this is capped at 3% and so the maximum increase that can be agreed is 2.99% for 2018/19. Whilst a 2.99% increase was recommended to Cabinet on 7 February 2018, Cabinet agreed to recommend to Full Council that the council tax increase remains at 1.99% in line with the MTFS assumptions throughout the year; and
  - The Adult Social Care (ASC) Precept – this precept was announced in December 2015 and amended in December 2016. The Council has the ability to increase the ASC Precept by 3% in 2018/19 or by a total not exceeding 3% over the next two years with a maximum increase of 2% in 2019/20. In line with the assumptions in the MTFS throughout the last year, this report proposes a 3% increase for 2018/19.
- 4.5 There is a continuing need for sustained increases to the ASC budget to meet the increased costs of the national minimum wage and demand pressures as the population continues to live longer with more complex health and care needs. The National Living Wage will increase by a further 4.4% next year and our independent sector partners will face increased pension



contributions. The council continues to face considerable challenges with the domiciliary care market which is a national trend. We have recently completed the procurement for our new domiciliary care service which we hope will provide much needed stability locally. The NHS locally is also under considerable pressure to get people out of hospital quicker and reduce Delayed Transfers of Care (DTOCs) – this equally puts further pressures on adult social care.

- 4.6 The table below sets out the average impact on a household in each band when considering the various discounts and support already in place:

Band	Band Charge	Properties		Average Charge	Average 1% Increase p.a.
		No.	%		
A	£968	7,423	11.0	£569	£6
B	£1,130	13,402	19.93	£840	£8
C	£1,291	26,679	39.67	£1,083	£11
D	£1,453	12,105	18.00	£1,297	£13
E	£1,776	4,589	6.82	£1,642	£16
F	£2,098	2,210	3.29	£2,008	£20
G	£2,421	802	1.19	£2,279	£23
H	£2,905	42	0.06	£2,702	£27
<b>TOTALS</b>		<b>67,252</b>	<b>100.00</b>	<b>£1,100</b>	<b>£11</b>

- 4.7 For over 70% of residents, the additional 1% increase in council tax equates to a maximum of 25 pence per week but averages out, after discounts, to between 11 pence and 21 pence.

## 5 Proposed General Fund Revenue Budget 2018/19

- 5.1 The Transformation Programme approach has identified a series of proposals through the various Boards that were convened, each chaired by a member of the Directors' Board and consisting of officers from across all services. The savings proposals largely concentrate on services generating additional income and expenditure efficiencies through contracts, centralisation of property management and additional staffing costs such as agency numbers. Whilst there is a focus on net cost reduction, there are equal focuses on service transformation and improved outcomes for residents.
- 5.2 The MTFs considered by Council on 22 February 2017 set out cross cutting savings for 2018/19 of £1.8m. After reviewing these proposals in terms of implementation timescales, this target has been reduced to £1.6m and reliance is placed from the delivery of a number of these savings during the current financial year.
- 5.3 In addition, a target has been added from the cross cutting service review approach and are focused on four key areas for 2018/19 resulting in a target income growth/operating cost saving of £0.93m:

Service Area	Target Income Growth/Operating Cost Saving
ICT	£0.17m
Transport	} } } £0.76m across these three service areas }
Children's Social Care	
Business Resource	

- 5.4 All of the above is summarised at appendix 2.
- 5.5 The most significant change to the MTFS though is the impact of the council supporting an investment strategy at their meeting on 25 October 2017. The impact on the MTFS of both Thurrock Regeneration Ltd and other investments is set out in section 6.
- 5.6 This approach has identified surpluses over the next three years of £10.49m that can be used for one off investments in services and throughout the borough but roll forward to support the budget in the medium to longer term. The approach has also created a projected surplus in the region of £2.3m in 2017/18 that has been allocated as follows:
- £0.939m for Clean It, Cut It, Fill It (CICIFI);
  - £0.300m for Highways White Lining;
  - £0.247m for improving Borough Signage;
  - £0.380 for the LTC Task Force;
  - £0.050m for Local Plan consultation;
  - £0.134m to invest in Fostering Recruitment; and
  - £0.250m to combat Anti-Social Behaviour.
- 5.7 Other proposals for investment in services for the 2018/19 budget include the following three areas:
- Environment – there is an increased allocation to reinforce the CICIFI initiative whilst also funding the various pressures faced during 2017/18, specifically around the cost of waste disposal;
  - Children's Social Care – Children's Social Care has seen considerable budget and service pressures in recent years and these have been regularly reported to both Cabinet and Children's Overview and Scrutiny Committee. Whilst the

pressure is still significant in 2017/18 it is noticeably less than previous years as actions to manage demand start to take effect; and

- Adults' Social Care – A 3% ASC precept will realise £1.898m and additional grants from government have also been received.

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

	£'000
<b>Net Expenditure</b>	114,742
<b>Financed by:</b>	
Revenue Support Grant	(10,698)
NNDR	(35,413)
New Homes Bonus	(3,153)
Collection Fund Balances	(70)
<b>To be funded through Council Tax</b>	(65,408)

## 6 Medium Term Financial Strategy (MTFS) 2018/19 – 2022/23

- 6.1 The MTFS covering the period 2018/19 through to 2020/21 is attached at Appendix 4 which includes the assumption that there will be a 2.99% council tax increase in 2019/20 and 1.99% for subsequent years. This is in line with the flexibility provided to local government from the MHCLG.
- 6.2 Thurrock's Commercial and Investment approach has achieved budget surpluses for each of the next four years on the basis of known investments and the assumption that Council supports the proposed approach towards Thurrock Regeneration Ltd.
- 6.3 The five year MTFS attached at appendix 4 reflects the end of some current investments and assumptions over further investments to replace them. It reinforces the need to continue with increasing income from the commercial, investment and council tax streams. In summary, an extract from the MTFS shows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
MTFS Budget Pressures	5.90	5.56	4.11	8.07	7.70
Surplus Brought Forward		(2.49)	(3.92)	(3.99)	(0.09)
Known Investments	(7.85)	(3.70)			
Thurrock Regeneration Ltd	(0.54)	(1.29)	(2.48)	(2.47)	(2.06)
New Investments		(2.00)	(1.70)	(1.70)	(1.70)
<b>Total</b>	(2.49)	(3.92)	(3.99)	(0.09)	3.85

- 6.4 As can be seen from the table, the budget surpluses in any one year are carried forward to the next to meet new pressures. As such, Members should only use any surplus for one-off expenditure and not commit to new ongoing budget activity which has a recurring financial impact on revenue.
- 6.5 Whilst the table above and the MTFS shows a positive position for four of the next five years, the move to a sustainable financial position for the longer term requires both increases in the council tax base and longer term investments to ensure that there are continual income streams.

## 7 Reserves

- 7.1 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 then recommend a balance to the Council. It is, however, for the Council to set this balance considering that recommendation.
- 7.2 Cabinet received a report on 7 September 2016 that considered the General Fund balance. The Director of Finance and IT considered the increased pressures and demands on the council against a reducing budget envelope and determined that the balance should be a minimum of £9.26m.
- 7.3 Whilst Council agreed on 22 February 2017 to meet this level over three years, officers have agreed an innovative change to the calculation of the Minimum Revenue Provision (MRP) with the external auditors that has allowed circa £13m of non-usable reserves to be freed up for specific use as follows:

Allocated to:	£m
General Fund Balance – the Administration made increasing the General Fund Balance a priority – this will increase the balance from £8m to £11m as at 31 March 2018	3.0
Pay for the new Environment Fleet expenditure in 2017/18 outright instead of through Prudential Borrowing. This reduces ongoing expenditure by circa £0.8m and has been reflected in the attached MTFS	7.5
Earmarked Reserves to meet implementation of Service Review findings and to support further Transformation Projects	2.5
	13.0

- 7.4 As can be seen from the above, this approach will ensure that there is the optimum balance of £11m as at 31 March 2018 and this is reflected within the s25 statement at appendix 1.

## **8 Government Funding – Dedicated Schools Grant**

- 8.1 The Dedicated Schools Grant (DSG) was introduced in 2006/07 as a 100% specific grant to fund the schools' budget.
- 8.2 The original allocation of the DSG was calculated based on the 2012/13 spend and there has been no inflationary increase since then. However, during 2016/17, the Department for Education (DfE) undertook a base lining exercise as the first move to a National Funding Formula (NFF) for all schools from 2018/19.
- 8.3 The DSG grant was originally split into three blocks: Schools Block, High Needs Block and Early Years Block and from 2018/19 the introduction of a 4th Central Block to support LA central expenditure that was previously supported within the Schools Block. The Schools Block is now ring-fenced from 2018/19 and only 0.5% of budget allocation can be transferred to other blocks from the Schools block and has to be approved by Schools' Forum.
- 8.4 The Schools block and the Early Years block are uplifted, based on pupil numbers and unit value, whilst there has been limited growth in the High Needs block, and from 2018/19 there has been a slight increase in support of growth as part of the NFF.
- 8.5 For 2018/19 the Education Services Grant, for funding central duties, is included in the DSG same as last year. This is funding for Council retained duties for Schools and Academies.
- 8.6 From 2018/19 the Schools block formula has been calculated as agreed with Schools' Forum as a transition year to the NFF with further plans to align Thurrock's Formulae for next financial year 2019/20 in accordance with the NFF funding factors.
- 8.7 There has been a change to the Thurrock Formulae for financing schools this year with the Schools' Forum agreeing that during a time of reducing budgets further turbulence should not be added by a 'transition year' in the funding factors to gradually move towards the full implementation of NFF with effect from 2020/21.
- 8.8 School budget allocations to schools are only reduced if there has been a pupil reduction at October pupil count (census) under the schools formula because of minimum funding guarantee (MFG) protection being set at -1.5% protections within the formula.
- 8.9 The DSG allocation is based on the October pupil count and allocations were given in December for the Schools and High Needs blocks with an indicative allocation of the Early Years block which is updated for actual pupil take up during the year from January census count.
- 8.10 The Basis of the October Count has caused some dilution of funding to schools as Thurrock is going through a significant period of pupil growth which

means that pupils are being funded in Schools before they are funded through the DSG. This effectively means there is a top slice to all schools' funding rates to cover the increased numbers.

- 8.11 DSG is calculated for all mainstream schools in Thurrock, including Academies, using the Thurrock funding formula. The Education and Skills Funding Agency (ESFA) then recoups funding to be distributed to Academies and a net Grant is paid to the council. This ensures that Academies and maintained schools are funded on the same basis. All figures in this report are gross.
- 8.12 The allocation of funding for Special Schools and the Pupil Referral Unit is included in the High Needs Block, as well as the costs of Special Educational Needs transport in the High Needs block to better represent the cost drivers.
- 8.13 The per pupil rate of Schools block DSG paid to Thurrock is £4,342.88 against an all-England average of £4,542.66. The total value of the DSG paid for 2018/19 is £152.03m (gross before Academy recoupment) made up of:
- a) Schools Block £115.97m;
  - b) High Needs Block £22.31m;
  - c) Early Years Block £11.72m; and
  - d) Central Block £2.038m.
- 8.14 At the end of 2017/18 all but one secondary school, 30 of the 39 primary schools and both special schools has converted to Academy status.
- 8.15 There is an ongoing pressure within the High Needs block mainly due to areas of growth within the borough of children with statements/Education Health and Care (EHC) plans and associated transport costs. The Schools Forum working sub-group, comprising of representatives from the forum and officers from the local authority, have met several times and developed a recovery plan for recovering the previous DSG deficit. The working sub-group are currently working on a hybrid model that entails the 'capping' of future SEN payments from the High Needs block to control the pressures going forward.

## **9 Proposed Additions to the Capital Programme**

- 9.1 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.
- 9.2 The following sources of funding are available to the General Fund:
- Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings. The Property Board, at the request of Cabinet, has commenced a strategic review of the asset base and will report

back to Cabinet with an updated strategy, including a disposal programme, in due course. Asset management in the future will be based on the simple ethos of– Release – Reuse - Retain;

- Grants and Contributions- these could be ad hoc grants awarded from government or other funding agencies or contributions from developers and others;
- Prudential Borrowing – the Council is able to increase its borrowing to finance schemes as long as they are considered affordable and are deemed to meet the public good; and
- Revenue – the Council can charge capital costs directly to the General Fund but the pressure on resources means that this is not recommended.

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

### **Current Programme**

9.4 Before considering the new proposals, it is worth reflecting on the allocations that have been agreed over recent years. These are summarised in appendix 6 but, covering the period 2017/18 through to 2020/21, total over £240m with £212m still to be spent as at 1 January 2018.

9.5 Set out below are the major schemes that are included within the current programme over that period that are already committed and many underway:

- a) The widening of the A13;
- b) Purfleet Regeneration;
- c) Grays' Town Centre and Underpass;
- d) Stanford-le-Hope Interchange;
- e) A new Environmental and Waste Fleet;
- f) Improvements to parks and open spaces;
- g) New educational facilities;
- h) The HRA Transforming Homes programme;
- i) Highways infrastructure;
- j) Civic Office Enhancements; and

k) Improvements to the Linford Civic Amenity Site.

9.6 In addition, feasibility work has been carried out in developing the future and aspirational bids during recent months and an update on these is included at Appendix 7.

## 10 Draft Capital Proposals

10.1 There have been a number of schemes that can be seen as projects in their own right. These have been included at appendix 8 and will, in the main, be known to the relevant Overview and Scrutiny Committee in one form or another.

10.2 Having reviewed all of the other capital requests, they fall within one of four categories and are summarised in the table below. A schedule of some of the bids is included at appendix 9 for information but is not exhaustive. The amounts have been calculated using the respective bid totals and would be under the responsibility of a relevant Transformation Board or Directors' Board for allocation and monitoring:

<b>Responsible Board</b>	<b>Examples</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £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.	0.5	0.5	0.5
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.	0.9	0.4	0.6
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.	1.2	1.0	1.0
Transformation	This budget is to provide the ability to build business cases for major projects as per paragraph 2.6. The recommendation is for an annual	1.1	2.0	2.0



<b>Responsible Board</b>	<b>Examples</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
	“top up” to bring the budget back to £2m at the start of each financial year.			

10.3 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.

10.4 Highways are expected to receive in the region of £1.9m per annum from the Department of Transport whilst Education are expected to receive a further £5m in 2019/20 from the Department for Education with further allocations for free schools.

## **11 Other Capital Recommendations**

11.1 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.

11.2 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 Treasury Management Strategy are amended accordingly.

11.3 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.

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

12.1 The issues and options are set out in the body of this report in the context of the latest MTFS and informed by discussions with the Council Spending Review panel and Directors’ Board.

## **13 Reasons for Recommendation**

13.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2017/18 and recommends a balanced budget for 2018/19 to the Council.

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

- 14.1 This report has been developed in consultation with the Leader, Portfolio Holders and Directors Board. In addition, Corporate Overview and Scrutiny Committee considered the budget proposals on 23 January 2018 with their comments set out in the body of the report. Group Leaders and Deputy Leaders have been involved throughout the budget planning process through the Council Spending Review Panel which has met monthly through the 2017/18 municipal year.

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

- 15.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. This budget starts to rebuild key service budgets with real growth allocated to Children's and Adults' Social Care and the Environment.
- 15.2 Whilst the direct impact on frontline services is low from the new proposals, the efficiencies could have an effect if not properly managed, as could be expected.

## **16 Implications**

### **16.1 Financial**

Implications verified by: **Sean Clark**  
**Director of Finance and IT**

The financial implications are set out in the body of this report.

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

### **16.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Legal & Governance - Deputy Monitoring Officer**

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.

### **16.3 Diversity and Equality**

Implications verified by: **Natalie Warren**  
**Community Development and Equalities  
Manager**

There are no specific diversity and equalities implications as part of this report. A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

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

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

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

- Budget working papers held in Corporate Finance
- Council Spending Review Panel papers held in Strategy and Communications

### **18 Appendices to the report**

- Appendix 1 – Report of the Council's Section 151 Officer under Section 25 of the Local Government Act 2003: Robustness of Estimates and Adequacy of Reserves
- Appendix 2 – Summary of Council Spending Review Savings
- Appendix 3 – Allocation of Growth and Savings to Services
- Appendix 4 – Medium Term Financial Strategy
- Appendix 5 – Schools' Budget
- Appendix 6 – Current Capital Programme Summary
- Appendix 7 – Update on Future and Aspirational Projects

- Appendix 8 - New Capital Projects
- Appendix 9 – Examples of those Minor Schemes that form part of the General Allocations

**Report Author:**

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