

<b>27 February 2019</b>		<b>ITEM: 12</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> Jonathan Wilson, Assistant Director - Finance		
<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 five financial years from 2019/20 through to 2023/24. This is based on a number of service review and investment assumptions, including the Council's continued support of Thurrock Regeneration Ltd. This is also based on the proposal for a zero per cent increase in Council Tax and it is also noted the Council has already raised the maximum additional funding from the Adult Social Care (ASC) over the previous 2 years and hence there is no further ASC precept allowed in 2019/20.

Furthermore, this paper confirms that the General Fund balance (the Council's non-specified reserve) has been maintained at £11m.

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

The Council continues to work towards self-sufficiency by creating 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 maintains the move by 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 Service Review Board. The proposals for the 2019/20 budget have been considered by the Corporate Overview

and Scrutiny Committee over recent months where the main discussion was the impact of a zero percentage Council Tax increase and its impact on the Medium Term Financial Strategy forecasts and sustainability into the future.

The report presented to Cabinet on 16 January 2019 presented a proposed balanced budget for the financial years 2019/20 through to 2022/23. This report has subsequently been considered by Corporate Overview and Scrutiny at its meeting on 31 January 2019 and the committee's comments are included in section 14 of the report.

This report presents the final budget proposals agreed by Cabinet at their meeting on 12 February 2019 that, subject to other approvals, sets out a forecast balanced budget for the next four years.

This budget includes revenue investment in those frontline services where required, including creating funding to address the issue of claimants with no recourse to public funds, and provides additional funding to address homelessness in the borough. In addition, the capital programme includes proposals that build on this investment whilst the future and aspirational proposals includes strategic and place making schemes that continue to support 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 0% council tax increase;**
- 1.3 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 7;**
- 1.4 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).*

- 1.5 Calculate that the council tax requirement for the Council's own purposes for 2019/20 is £66,062,077 as set out in the table at paragraph 5.8 of this report.**
- 1.6 That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:**
  - (a) £428,070,964 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act.**
  - (b) £362,008,887 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.**
  - (c) £66,062,077 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 51,298), 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.**
- 1.7 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.**
- 1.8 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 2019/20 for each part of its area and for each of the categories of dwellings.

**2019/20 COUNCIL TAX FOR THURROCK PURPOSES EXCLUDING ESSEX FIRE AUTHORITY AND ESSEX POLICE AUTHORITY**

Amounts for the Valuation Bands for 2019/20							
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

- 1.9 That it be noted that for the year 2019/20 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 2019/20							
A £	B £	C £	D £	E £	F £	G £	H £
128.64	150.08	171.52	192.96	235.84	278.72	321.60	385.92

- 1.10 That it be noted that for the year 2019/20 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 2019/20							
A £	B £	C £	D £	E £	F £	G £	H £
48.30	56.35	64.40	72.45	88.55	104.65	120.75	144.90

**2019/20 COUNCIL TAX (INCLUDING FIRE AND POLICE AUTHORITY PRECEPTS)**

Amounts for the Valuation Bands for 2019/20							
A £	B £	C £	D £	E £	F £	G £	H £
1,035.48	1,208.06	1,380.64	1,553.22	1,898.38	2,243.54	2,588.70	3,106.44

## 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 27 February 2019, 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 2019/20 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 2018/19 Budget Position**

- 2.6 Members have received reports throughout the year that have set out the ongoing pressures in Children's Social Care, the Environment Service as well as specific pressures relating to no recourse to public funds and homelessness. 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 2019/20. The reports have also set out the in-year mitigation that has been taken to deliver a balanced budget position for the financial year 2018/19.
- 2.7 Work continues on finalising these projections and officers remain confident that further mitigation and favourable variances will be identified to stay within the service budget at year-end. The impact of the ongoing pressures has been built into the base budget for 2019/20.

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

- 2.8 Government funding of its main 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 Local Government Finance Settlement for 2019/20 was confirmed by the Ministry for Housing, Communities and Local Government (MHCLG) on 29 January 2019 and confirms the reductions built into the MTFs.
- 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 is not available for 2019/20 as the Council raised this in full over the two previous years. It is noted the Local Government Finance Settlement made additional funding available for both Adults and Children's Social Care through additional grant funding of £1.100m for 2019/20 and a further agreed grant of £0.654m to meet winter pressures. This is in addition to a £0.825m increase in the Improved Better Care Fund.
- 2.11 Recognising the direction of travel towards financial sustainability, the MHCLG increased the amount that a council could increase the Council Tax by 2.99% in each of 2018/19 and 2019/20 financial years. Council Tax proposals for 2019/20 are set out below.
- 2.12 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.
- 2.13 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.
- 2.14 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 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 2019/20.
- 2.15 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 £36m from a total collection of £118m (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 factual 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 included 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 £0.190m as at 31 March 2019. This is apportioned to the major preceptors as follows:

<b>Major Precepting Authority</b>	<b>£m</b>
Thurrock Council	0.160
Essex Police Authority	0.021
Essex Fire Authority	0.009
<b>Total Allocated</b>	<b>0.190</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 £0.217m as at 31 March 2019. This is apportioned under regulations as follows:

<b>Major Precepting Authority</b>	<b>£m</b>
Thurrock Council	0.106
Central Government	0.109
Essex Fire Authority	0.002
<b>Total Allocated</b>	<b>0.217</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 51,298 Band D 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 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 one of the lowest Council Tax levels 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 Council Tax 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 and after accounting for factors such as inflation and wage increases in the social care sector.
- 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 2019/20. A 0% increase has been recommended by Cabinet and the MTFS assumptions have been updated to reflect the revised approach; and
  - The Adult Social Care (ASC) Precept – this precept was announced in December 2015 and amended in December 2016. The Council has no further ability to increase the ASC Precept in 2019/20 as the maximum increase of 3% was taken over the previous two years. This is in line with the assumptions in the MTFS throughout the last year.
- 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 Council continues to face considerable challenges with the domiciliary care market which remains a national trend. The new domiciliary care service is providing more stability locally but this remains a challenging area. The NHS locally is also under considerable pressure to discharge patients 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	£1,018.14	7,435	11.0	£669.04	£6.09
B	£1,187.83	13,480	19.9	£893.69	£8.94
C	£1,357.52	26,893	39.6	£1,138.93	£11.39
D	£1,527.21	12,295	18.1	£1,359.94	£13.60
E	£1,866.59	4,676	6.9	£1,719.18	£17.19
F	£2,205.97	2,210	3.3	£2,081.84	£20.82
G	£2,545.35	810	1.2	£2,400.15	£24.00
H	£3,054.42	48	0.1	£2,100.68	£21.01
<b>TOTALS</b>		<b>67,847</b>	<b>100.0</b>	<b>£1,158.63</b>	<b>£11.59</b>

- 4.7 For over 70% of residents, each additional 1% increase in Council Tax equates to an average of 19 pence per week or £9.87 per annum whilst raising £0.7m to be applied to a wide range of services, including Children’s and Adult Social Care that work with the most vulnerable members of the community.

## 5 Proposed General Fund Revenue Budget 2019/20

- 5.1 The Council Spending Review “Service Review Board” has undertaken a number of cross cutting reviews which challenge current delivery models, structures and assumptions with a view to improving outcomes and identifying efficiencies. The Board has a savings target of £0.920m in 2019/20 which is to be delivered following the implementation of the review outcomes stated below:

- Children’s Social Care - £0.797m – a review of key processes and work targeted on the earlier identification of cases;
- Transport - £0.060m – a detailed review of home to school transport; and
- Planning - £0.063m - An invest to save strategy to retain and grow resources to deliver high quality services and develop a sustainable trading platform.

- 5.2 Together these form an overall package that contribute towards a balanced budget and also allows the Council to invest in enhancing existing services as well as providing additional services where they are deemed to be a priority.

- 5.3 Regarding the savings within Children’s Services, it is noted that while the headline is a budget reduction, savings of £3m have been identified through transformation but a budget reduction of just circa £1m enacted. The balance remains within the service budget for any unexpected variations and as a result provides a real increase to funding levels within Children’s Services following implementation. Further detail is summarised at appendix 2.

- 5.4 The impact of this approach, together with the Investment Strategy, has supported the creation of identified surpluses over the next four years of £16.718m 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 created a projected surplus in the region of £3.3m in 2018/19 and the key focus of this spend will be:

- £1.000m for Target Hardening;
- £0.500m to address Outcomes from the Mental Health and Debt Summits;
- £0.750m to address Anti-Social Behaviour including additional Police Officers;
- £0.500m for the Schools DSG High Needs Pressure; and
- £0.100m to fund costs arising from the proposed Lower Thames Crossing.

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

	<b>£m</b>
<b>Net Expenditure</b>	<b>111.690</b>
<b><i>Financed by:</i></b>	
Revenue Support Grant	(6.697)
NNDR Precept	(35.547)
Other Grants	(3.118)
Collection Fund Balances	(0.266)
<b>To be funded through Council Tax</b>	<b>(66.062)</b>

## **6 Medium Term Financial Strategy (MTFS) 2019/20 – 2022/23**

- 6.1 The MTFS covering the period 2019/20 through to 2023/24 is attached at Appendix 4 which includes the assumption that there will be a 0% council tax increase in 2019/20 and 1.99% for subsequent years. This is in line with the current year recommendation and 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:

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
MTFS Budget Pressures (Net)	8.163	2.468	2.612	2.386	3.617
Surplus Brought Forward	(2.488)	(5.803)	(5.513)	(3.327)	(2.165)
Investment Income (Net)	(11.478)	(2.178)	(0.336)	(1.224)	0.365
<b>Total</b>	<b>(5.803)</b>	<b>(5.513)</b>	<b>(3.237)</b>	<b>(2.165)</b>	<b>1.817</b>

- 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 Based on the above, the Director of Finance and IT expects the optimum balance of £11m as at 31 March 2019 and this is reflected within the s25 statement at appendix 1.

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

- 8.1 On 17 December 2018, the Secretary of State for Education announced details of the Dedicated Schools Grant (DSG) allocations for 2019/20, as shown in the tables below:

<b>Funding Settlement - December 2018</b>			
	2019/20	2018/19	Increase
	£m	£m	£m
Early Years	11.570	11.568	0.002
Schools	119.434	115.973	3.461
High Needs	23.268	22.141	1.127
Central Services	2.073	2.038	0.035
<b>Total</b>	<b>156.345</b>	<b>151.720</b>	<b>4.625</b>

8.2 The key announcements are:

- Planned updates and funding allocations, announced in July, to the formula in 2019/20 will be implemented. This brings an additional £0.895m to the Schools Block and £0.624m to the High Needs Block in Thurrock;
- Additional funding of £3.146m in the Schools Block to reflect an additional 621 pupils now being educated in Thurrock schools when compared to October 2017 census; and
- The High Needs Block of the DSG has been increased by £125m in both 2018/19 and 2019/20 to provide support for children and young people with special educational needs and disabilities. This brings an additional £0.452m to Thurrock in both 2018/19 and 2019/20.

8.3 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.

8.4 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.

8.5 At its meeting on 12 December 2018, Cabinet approved changes to the local funding formula. These have been implemented and individual funding allocations have been provided to schools and academies for 2019/20.

8.6 Other grant funding - The pupil premium will continue at the current rates in 2019/20. Further details will be made available in 2019 on the following grants that will continue into the next financial year: Universal Infant Free School Meals, Year 7 catch-up premium, School Improvement Monitoring and Brokering Grant and extended rights to home to school transport.

8.7 In 2018 a review of the DSG was undertaken. This provided clarity on expenditure that could be charged against each funding block and to ensure

the efficient and effective use of resources. In 2019/20 the High Needs Block, following receipt of additional funding and review of SEN payments, is able to set a realistic budget that provides for 2018/19 projected expenditure and allows for some growth that is being experienced through increased demand for Education, Health and Care (EHC) plans.

## **9 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 that will, in the future, 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 5 but, covering the period 2017/18 through to 2020/21, total over £240m with £212m still to be spent as at 1 January 2019.

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:

The widening of the A13;	Purfleet Regeneration;
Grays' Town Centre and Underpass;	Stanford-le-Hope Interchange;
Improvements to parks and open spaces;	New educational facilities;
The HRA Transforming Homes programme;	HRA New Build Schemes;
Highways infrastructure;	Aveley Community Hub
Civic Office Development; and	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 6.

## **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 7 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, what could be described as operational capital, 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 8 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 final allocation and monitoring:

<b>Responsible Board</b>	<b>Examples</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £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.	2.2	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.	4.0	1.1	0.5
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.	3.2	2.1	1.5
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 “top up” to bring the budget back to £2m at the start of each financial year.	2.0	2.0	2.0

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 £2.8m 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 Capital 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.
- 12.2 The key option arising from this report is on the level of Council Tax that sets the overall budget envelope for the coming and subsequent years.

## **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 2018/19 and recommends a balanced budget for 2019/20 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. Group Leaders and Deputy Leaders have been involved throughout the budget planning process through the Council Spending Review Panel which has met on a number of occasions through the 2018/19 municipal year.
- 14.2 Corporate Overview and Scrutiny Committee considered this report at their meeting on 31 January 2019. Main areas of discussion included:
- The Council Tax Freeze, its impact on the MTFS and recognising that with an increase there would be a five year balanced MTFS;
  - Further to this, the committee commented that it would be useful to have sight of a ten year MTFS at Council on 27 February 2019 to recognise the longer term implication;
  - A challenge on being able to achieve the savings set out from the CSR process with specific focus on People Board Savings, Lease rental increases and the Service Review target. Officers explained that all of these are already

being achieved and have a heightened focus at Directors' Board to ensure delivery and that the main area of Service Review savings, in Children's Services, had already had significant upfront investment to achieve these savings and that the savings were, in fact, far higher than the target thus being growth for the service;

- The Committee also wanted assurances that the Council was not looking to reduce payments to Foster Carers. Officers explained that increasing the Foster Carer base was a key objective and so payments to look after the borough's children were not being reduced; and
- In terms of capital, the Committee discussed the schemes and approach and had no adverse comments on the proposals but did ask whether the proposals could be linked to the Council's priorities. The Committee has asked for a clearer view of the existing programme and links to priorities at a future meeting.

## **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**

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.

Whilst this draft budget report sets a balanced budget, it does not include a Council Tax increase and so reduces the Council's ability to maximise Council Tax streams going forward in its aim to become financially self-sufficient. Each 1% is circa £0.7m that is then lost to the income stream for perpetuity at

a time where the government has made clear that councils will need to finance services through local revenues from both Council Tax and Business Rates.

The government in setting its grant support for the coming year has made the assumption that this funding would be realised and this will also influence the Comprehensive Spending Review in 2019 that will determine the amounts of Business Rates that the Council will be able to retain for the delivery of local services over the period 2020-2023.

Recent announcements from CIPFA have raised concerns over the amount of property and other investments that local authorities are carrying out and the advice is clear that there needs to be more tangible benefits to the local authority area and its residents as opposed to purely financial gain. The government, in its announcement of the draft finance settlement, acknowledged this position and left the possibility of a future discussion with the Treasury open. Thurrock Council's investments fall within the accepted parameters when considering the allocation of surpluses to enhance and/or provide new services.

Cabinet should note that even without investment targets included, the budget remains in balance thus demonstrating that the targets are not simply replacing a Council Tax increase.

## 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 – Current Capital Programme Summary
- Appendix 6 – Update on Future and Aspirational Projects
- Appendix 7 - New Capital Projects
- Appendix 8 – Examples of those Minor Schemes that form part of the General Allocations

**Report Author:**

Sean Clark

Director of Finance and IT