

26 February 2020		ITEM: 14
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 Finance, Governance and Property		
This report is Public		

Executive Summary

This report sets out the draft budget proposals for a balanced budget for three of the five financial years from 2020/21 through to 2024/25. 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 1.49% increase in general Council Tax and a further 2% for the Adult Social Care (ASC) precept allowed in 2020/21.

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 Transformation Programme approach continues to be managed through the Strategic Boards, all of which are overseen by the Transformation Board.

The report presented to Cabinet on 15 January 2020 presented a proposed balanced budget for the financial years 2020/21 through to 2022/23. The proposals were considered by the Corporate Overview and Scrutiny Committee on 23 January 2020 where the main discussion was the proposed Council Tax increase and the impact of the investment strategy on the Medium Term Financial Strategy forecasts and sustainability into the future.

This report presents the final budget proposals agreed by Cabinet at their meeting on 12 February 2020 that, subject to other approvals, sets out a forecast balanced budget for the next three years.

This budget includes revenue investment in social care specifically as well as providing additional funding to address homelessness in the borough. The capital programme includes proposals that support underlying infrastructure improvements that support and drive the delivery of improved services 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 (Corporate Director of Finance, Governance and Property'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 a 2% council tax increase towards the cost of Adult Social Care;**
- 1.3 Agree a 1.49% council tax increase to meet the increasing costs and demands of all other services and to move the council towards greater financial sustainability for the medium to longer term;**
- 1.4 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 6;**
- 1.5 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).

- 1.6 Calculate that the council tax requirement for the Council's own purposes for 2020/21 is £69,168,853 as set out in the table at paragraph 5.8 of this report.**
- 1.7 That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:**
- (a) £477,989,694 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act.**
 - (b) £408,820,841 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.**
 - (c) £69,168,853 being the amount by which the aggregate at 1.7(a) above exceeds the aggregate at 1.7(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) £1,332.81 being the amount at 1.7(c) above (Item R), all divided by Item T (Council Tax Base of 51,897), 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) £1,332.81 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.**
- 1.8 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.**
- 1.9 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.

2020/21 COUNCIL TAX FOR THURROCK PURPOSES EXCLUDING ESSEX FIRE AUTHORITY AND ESSEX POLICE AUTHORITY

Amounts for the Valuation Bands for 2020/21							
A £	B £	C £	D £	E £	F £	G £	H £
888.54	1,036.63	1,184.72	1,332.81	1,628.99	1,925.17	2,221.35	2,665.62

- 1.10 That it be noted that for the year 2020/21 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 2020/21							
A £	B £	C £	D £	E £	F £	G £	H £
132.42	154.49	176.56	198.63	242.77	286.91	331.05	397.26

- 1.11 That it be noted that for the year 2020/21 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 2020/21							
A £	B £	C £	D £	E £	F £	G £	H £
49.26	57.47	65.68	73.89	90.31	106.73	123.15	147.78

2020/21 COUNCIL TAX (INCLUDING FIRE AND POLICE AUTHORITY PRECEPTS)

Amounts for the Valuation Bands for 2020/21							
A £	B £	C £	D £	E £	F £	G £	H £
1,070.22	1,248.59	1,426.96	1,605.33	1,962.07	2,318.81	2,675.55	3,210.66

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 26 February 2020, 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 2020/21 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 Corporate Director of Finance, Governance and Property'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 2019/20 Budget Position

- 2.6 Members have received reports throughout the year that have set out the ongoing pressures in Adults and Children's Social Care as well as specific pressures relating to homelessness and the loss of Thurrock Regeneration Ltd investment income. Increased funding for these areas has been built into the budget allocations for 2020/21. This is recognised within the s25 statement when considering the robustness of estimates for 2020/21. The reports have also set out the in-year mitigation that has been taken to deliver a balanced budget position for the financial year 2019/20.
- 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.

Financial Self Sustainability and Government Grants

- 2.8 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 Local Government Finance Settlement for 2020/21 was confirmed by the Ministry for Housing, Communities and Local Government (MHCLG) on 6 February 2020 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 available for 2020/21 to the Council. 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 £2.700m for 2020/21.
- 2.11 Recognising the direction of travel towards financial sustainability, the MHCLG increased the amount that a council could increase the Council Tax by 1.99% in 2020/21 financial year. Council Tax proposals for 2020/21 are set out below and recommend a Council Tax increase of 1.49%.
- 2.12 The Council also receives a number of grants for specific purposes. These include 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 Since 2015/16, there has been year on year reductions in the Public Health Grant. The grant will increase by 2.7% in 2020/21 although there remains the possibility this increase will be outweighed by the cost of additional services to be funded from the grant. In the longer term this grant is likely to be absorbed into core funding as part of the Government Comprehensive Spending Review.
- 2.15 Whilst 100% business rate retention did not factor in the Queen's Speech in 2017, the MHCLG announced its intention to move to 75% retention by 2020/21. Following the recent general election this has now been deferred to 2021/22. Currently the Council retains circa £36m from a total collection of £120m (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 delegates the factual calculation and agreement of Collection Fund balances and the Council Tax base to the Corporate Director of Finance, Governance and Property.

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 £0.809m as at 31 March 2020. This is apportioned to the major preceptors as follows:

Major Precepting Authority	£m
Thurrock Council	0.671
Essex Police Authority	0.101
Essex Fire Authority	0.037
Total Allocated	0.809

- 3.5 Based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a surplus of £1.467m as at 31 March 2020. This is apportioned under regulations as follows:

Major Precepting Authority	£m
Thurrock Council	0.719
Central Government	0.733
Essex Fire Authority	0.015
Total Allocated	1.467

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 51,897 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 all of the 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 Council Spending Review (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 2% and so the maximum increase that can be agreed is 1.99% for 2020/21. A 1.49% 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 as part of the 2020/21 Local Government Finance Settlement. A maximum of 2% can be raised to support the provision of social care in the borough and the full amount is recommended by Cabinet.
- 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 (2019/20)	Properties		Average Net Charge	Average 1% Increase p.a.
		No.	%		
A	£1,035.48	7,462	10.9%	£631.56	£6.32
B	£1,208.06	13,623	19.9%	£920.34	£9.20
C	£1,380.64	27,076	39.6%	£1,165.99	£11.66
D	£1,553.22	12,445	18.2%	£1,386.65	£13.87
E	£1,898.38	4,726	6.9%	£1,752.65	£17.53
F	£2,243.54	2,228	3.3%	£2,121.55	£21.22
G	£2,588.70	824	1.2%	£2,469.61	£24.70
H	£3,106.44	49	0.1%	£2,141.62	£21.42
TOTALS		68,433	100.0%	£1,186.96	£11.87

4.7 For over 70% of residents, each additional 1% increase in Council Tax equates to an average of 19.5 pence per week or £10.14 per annum whilst raising £0.7m to be applied to a wide range of services, including Children's and Adults' Social Care that work with the most vulnerable members of the community.

5 Proposed General Fund Revenue Budget 2020/21

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 £0.900m in 2020/21 which is to be delivered following the implementation of the review outcomes stated below:

- Insourcing services to be taken into back into Council - £0.300m;
- Increased income from fees and charges - £0.250m; and
- Social care services savings arising from data analytics predictive analysis - £0.350m.

5.2 Together these form an overall package that contribute towards a balanced budget and 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 The impact of this approach, together with the Investment Strategy, has supported the creation of identified surpluses over the next three years of £5.532m 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 £5.8m in 2019/20 and the key focus of this spend will be:

- £2.217m to address pressures in Homelessness, Children’s Social Care and to support the deferral of TRL income in respect of the Belmont Rd project;
- £0.500m to improve Mental Health outcomes;
- £0.670m to provide additional Police Officers in the borough;
- £0.660m for the extension of the Kerb It programme; and
- £0.250m to fund a feasibility assessment required to improve the Thurrock Recreation, Leisure and Tourism offer.

5.4 Draft budgets are included at appendix 2 but a summary of the overall budget envelope and financing is set out below:

	£m
Net Expenditure	117.124
<i>Financed by:</i>	
Revenue Support Grant	(6.806)
NNDR Precept	(36.275)
Other Grants	(3.484)
Collection Fund Balances	(1.390)
To be funded through Council Tax	(69.169)

6 Medium Term Financial Strategy (MTFS) 2020/21 – 2024/25

6.1 The MTFS covering the period 2020/21 through to 2024/25 is attached at Appendix 3 which includes the assumption that there will be a 3.49% council tax increase in 2020/21 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 three 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 3 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:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
MTFS Budget Pressures (Net)	3.907	2.997	2.102	3.475
Surplus Brought Forward	(5.803)	(4.074)	(1.413)	(0.045)
Investment Income (Net)	(2.178)	(0.336)	(1.224)	0.365
Total	(4.074)	(1.413)	(0.045)	3.795

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 three of the next four 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 Corporate Director of Finance, Governance and Property expects the optimum balance of £11m as at 31 March 2020 and this is reflected within the s25 statement at appendix 1.

8 Government Funding – Dedicated Schools Grant

8.1 In September 2019, the government announced schools and high needs funding for the 3 year period 2020/21 to 2022/23. Additional investment will allow for cash increases of £2.6 billion in 2020/21, £2.2 billion in 2021/22 and £2.3 billion in 2022/23. On top of this, £1.5 billion will be provided each year to fund additional pension's costs for teachers, bringing the total schools budget to £52.2 billion in 2022/23.

8.2 On 19 December 2019, the Secretary of State for Education announced details of the Dedicated Schools Grant (DSG) allocations for 2020/21. The tables below show the funding to be received by Thurrock:

Dedicated Schools Grant	2020/21	2019/20	Increase
	£m	£m	£m
Schools	127.474	119.434	8.040
Central Services	1.850	2.073	(0.223)
High Needs	25.464	23.253	2.211
Early Years	12.413	12.332	0.081
Total	167.201	157.093	10.109

8.3 Thurrock's funding formula in 2020/21 has implemented the following principles consistent with the decision made by Cabinet in December 2018:

- National Funding Formula values have been applied;
- Unallocated funding of £0.9m has allowed an inflationary increase of 1.0168% to be applied to the Basic Entitlement values;
- Retained growth fund has been set at £1.385m; and
- Schools Forum have agreed a £0.635m transfer from the Schools Block to the High Needs Block to support increase demand for Specialist placements and Education, Health and Care Plans.

8.4 Further information for the Dedicated Schools Grant is shown at Appendix 8.

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, 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.

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 4 but, covering the period 2018/19 through to 2020/21, total over £289m with £229m still to be spent as at 1 January 2020.
- 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.

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 6 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 8 for information. 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:

Responsible Board	Examples	2020/21 £m	2021/22 £m	2022/23 £m
Service Review	These include new systems that create efficiencies, upgrades to facilities to increase income potential and enhancements to open spaces to reduce ongoing maintenance.	3.9	1.3	1.3
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.	3.3	0.7	0.2
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.	3.1	0.3	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 “top up” to bring the budget back to £3m at the start of each financial year. Examples are included in Appendix 5.	3.0	3.0	3.0

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 £4m per annum from the Department of Transport whilst Education are expected to receive a further £4m in 2020/21 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 2019/20 and recommends a balanced budget for 2020/21 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 consulted throughout the budget planning process through the Council Spending Review Panel.

14.2 Corporate Overview and Scrutiny Committee considered factors of this report at their meeting on 23 January 2020. Main areas of discussion included:

- The proposals for the general Council Tax increase and the additional increase to fund adult social care;
- Wider sources of funding that underpin the delivery of the 2020/21 budget;

- The impact of cost pressures identified in the current financial year;
- The impact of the wider investment strategy and the associated borrowing;
- The democratic oversight of treasury activity; and
- The outcomes from the community and equality impact assessment that was undertaken.

14.3 There were specific recommendations for consideration by Cabinet moved formally by the committee, although, these were not carried through a majority vote – these included a triple freeze for housing rents, housing service charges and Council Tax, a proposal to scrap the Civic Offices project and for Cabinet to agree to net zero carbon emissions by 2030.

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 continues the rebuild of key service budgets with real growth allocated to Children’s and Adults’ Social Care and Homelessness.

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**
Corporate Director of Finance, Governance and Property

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 the level of Council Tax increase assumed by Central Government in core spending calculations 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 influence the Comprehensive Spending Review in 2020 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 2021-2024.

There has been some concern expressed nationally about the certainty of investment returns in the property market that rely on a number of economic factors regarding retail and office space. Thurrock Council's investments do not fall into this category and have more regularised income streams along with the repayment of principle at the term end.

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: **Tim Hallam**
Acting Head of Legal, Assistant Director Law and Governance and Monitoring Office

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 Smith**
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)

The Council's financial position has allowed for additional investment across all services with additional funding, specifically, for services to the vulnerable, fighting Anti-Social Behaviour and Climate issues including allocations for tree planting and air quality measures.

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.

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 – Allocation of Growth and Savings to Services
- Appendix 3 – Medium Term Financial Strategy
- Appendix 4 – Current Capital Programme Summary
- Appendix 5 – Examples of Proposed Future and Aspirational Projects
- Appendix 6 - New Capital Projects
- Appendix 7 – Examples of those Minor Schemes that form part of the General Allocations
- Appendix 8 – Dedicated Schools Grant 2020/21

Report Author:

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