

7 July 2021		ITEM: 14
		Decision: 110570
Cabinet		
Medium Term Financial Strategy and Budget Proposals		
Wards and communities affected:	Key Decision:	
All	Key	
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance		
Accountable Assistant Director: Jonathan Wilson, AD Finance, Corporate Finance		
Accountable Director: Sean Clark, Corporate Director of Resources and Place Delivery		
This report is public		

Executive Summary

There have been a number of reports to Members over the last year, including to Cabinet, Corporate Overview and Scrutiny Committee and the budget report considered at Full Council in February 2021, which have set out the financial challenges that the Council faces through the ongoing and longer-term impacts of Covid-19 and from no longer following the previously agreed Investment approach.

The Medium Term Financial Forecasts included within this report sets out a gross budget gap of £21.8m in 2022/23 and £12.5m in 2023/24. Previously identified savings – included in the budget report in February 2021 – reduced this sum to circa £25m over the two years.

This report sets out a number of efficiencies, including those previously identified. These have been classified into: income generation; providing services differently; and operational efficiencies. There are a number of other efficiencies that require approval from Cabinet and these are set out in Appendix 1.

- 1. Recommendations:**
 - 1.1. That Cabinet note and comment on the financial forecasts included within this report;**
 - 1.2. That Cabinet note the ongoing work of officers and receive a further report back in September; and**
 - 1.3. That Cabinet recommend that the proposals set out in Appendix 1 be considered by the relevant Overview and Scrutiny Committee and be referred back to the Cabinet in September 2021.**

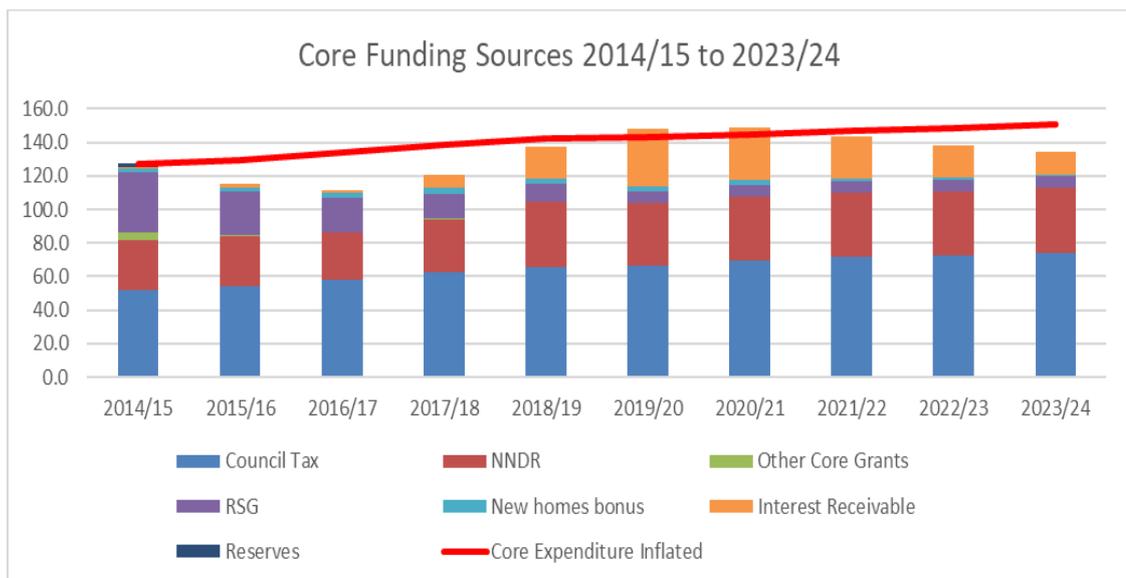
2. Thurrock Council's Financial Base

2.1. Officers have consistently reported that the Council operates off a low financial base in terms of core funding:

- The Council had the third lowest band D council tax compared with other unitary councils (only Windsor & Maidenhead and Isles of Scilly were lower; who themselves have a unique local financial context in terms of receivable income and spending requirements);
- The average band D council tax in Essex in 2020/21 was £1,503.10 compared with the Thurrock position of £1,332.81 (lowest in Essex);
- 70% of Thurrock properties are in bands A to C and so raise significantly less than a Band D level;
- The amount raised from Council Tax in 2020/21 was £69.2m compared with the nearest Unitary neighbour Southend of £84.8m; and
- In 2020/21 Thurrock projected to raise £120.1m of business rates but only allowed to retain £36.3m or 30% of the amount collected in the area.

2.2. Further perspective is provided by the CIPFA Resilience Index. One measure classifies the amount that Thurrock spends on Adult Social Care is a higher than average percentage of total budget (i.e. a risk) – despite national benchmarking reporting Thurrock Council as one of the lowest ASC spenders in the country and the total budget being low compared to others for the reasons set out in paragraph 2.1.

2.3. Council tax increases are limited every year and an annual increase of 1.99% is assumed, as is always the case in MTFs modelling. Increases to business rates are set by the government.



- 2.4. There are a number of discussions taking place within government that could impact on the council's core funding over the medium term but the timing of these as well as the impact are uncertain:
- 2.4.1. Comprehensive Spending Review – the extent is still not known in terms of the life of the CSR this year – in any case, the council will not know of any impact until December at the earliest;
- 2.4.2. Fair Funding Review – this largely relates to the share that any council receives of the funding available nationally – as such, there will be winners and losers. This is unlikely to be completed in this financial year;
- 2.4.3. Business Rates Retention – again, this is unlikely to take place in this financial year. Two main points:
- 2.4.3.1. An increase from the current 49% to either 75% or 100% is unlikely to increase the council's share of the business rates it retains owing to its status as a net contributor – this can be seen within paragraph 2.1 that shows Thurrock Council retains 30% against a headline of 49% retention; and
- 2.4.3.2. Any change to the business rates system could affect Thurrock Council funding from day one if, as now expected, a “baseline” reset would be required. Due to the growth within Thurrock over recent years it is more than likely that the amount currently retained would be reduced.

3. **MTFS Assumptions**

- 3.1. The MTFS is collated through a number of assumptions that then forms a net increase in the budget from one year to the next. Additional income or expenditure reductions are then required to meet this increase. Key changes over the next two years include:

	2022/23	2023/24	Total
Core Funding – assumes 2% council tax income and increased business rates per annum but then reduced by planned reductions to government grants such as New Homes Bonus	(335)	(1,381)	(1,716)
Pay Awards, increments and other inflation such as waste disposal contracts, utilities, fuel, etc	4,515	4,665	9,180
Treasury – phasing out of maturing investments, increased interest costs and increased MRP for capital works	7,221	4,948	12,169
Social Care and Other Growth	2,314	2,314	4,628
Covid Grant – removal of 2020/21 grant from base budget	4,853		4,853
Reserves/Capital Receipts – phasing out of temporary approach in 2021/22 budget	2,300	4,000	6,300

- 3.2. Over the next two years, the net increases are £21.8m for 2022/23 and £12.5m for 2023/24, a total of £34.3m.
- 3.3. As the Council has one of the lower budgets compared to other local authorities, services are, by definition, largely on the lower than average side in terms of net expenditure. Identifying savings to meet these pressures will continue to be challenging.
- 3.4. This position is not new to the Council where, over the last decade, MTFS deficits of £20m to £30m were common place and as recent as 2016
- 3.5. More recent years saw Members agree an investment approach that provided the ability to fund services above the statutory minimum and provide headroom for the council to reform services. However, for reasons previously reported, this is no longer an option.

Interest Payable v Interest Receivable



4. **Savings Proposals**

4.1. Officers have been working over recent months to identify ways of reducing net expenditure. These are set out in Appendices 1 and 2 and have been categorised as follows:

- Those that require Cabinet approval (Appendix 1);
- Those under operational responsibilities (Appendix 2):
 - Income generation;
 - Those that come from providing services differently;
 - Operational Efficiencies; and
 - Reductions to the General Fund Revenue budget of staffing/service reductions.

- 4.2. Whilst there are a number of savings set out within the appendices there are two categories, staffing and assets that require a more detailed narrative in this report.
- 4.3. As a large number of the council's budgets are at lower than average cost in comparison nationally, identifying savings of this magnitude are not as simple as identifying a handful of services to cut back or stop. As such, officers looked at the types of expenditure that the council incurs – these are known as the subjective budgets – and can cross a wide number of services.
- 4.4. The Council has 16 subjective budgets in excess of £1m, the largest being employee related. The next two cover adult's and children's social care placements, both very difficult to make significant reductions.
- 4.5. There are then a number of budgets where there can be limited impact: the Minimum Revenue Provision (the repayment of debt linked to the historic capital programme); interest costs on debt (long term debt interest linked to the capital programme and other interest relating to investments where a reduction in cost leads to a greater reduction in income); and the Concessionary Fares Scheme.
- 4.6. Others where there is some discretion include Home to School Transport (included in appendix 1) and the running cost of assets.
- 4.7. Salary costs related to service delivery:
 - 4.7.1. Cabinet will be aware that one aspect of balancing the 2021/22 budget was to target savings of £4m from vacant posts. The MTFs then assumed that the temporary saving would be turned into a permanent one through the deletion of, an average, 100 posts;
 - 4.7.2. As staff costs are by far the largest of the council's budgets, it is obvious that a higher target than £4m needs to be achieved when considering the budget gap of £34.3m. Officers are currently working on an assumption of reducing staff related costs by £10m for each of the next two years. At an average on-costed salary, this equates to a 500FTE reduction over the two years which represents circa 25% of the current workforce. The reduction of permanent positions will see a proportionately leaner management structure.
 - 4.7.3. Reductions of costs to the General Fund Revenue Account include the ability to charge the costs to other accounts, such as capital, be met through increased income or through a deletion of the post. Every effort will be made to reduce any impact on services and our residents through transformational changes but there will, undoubtedly, be impacts on services;
 - 4.7.4. Cabinet have asked senior officers to ensure that working practices are reformed to minimise impact as far as possible on front line services and the ability of back office teams to support services and project delivery. It is, however, understood that reducing permanent staffing numbers at this

level will have impacts on service delivery and will inform decisions about what business a council should / should not be performing.

4.7.5. Appendix 2 shows identified staffing reductions of £5.013m over the next two years and there is a further £1.5m through identifying current posts that are vacant that can be deleted. As such, there is still £13.5m and related impacts to identify.

4.8. Assets:

4.8.1. Proposals include a target of £1m to be achieved through a reduction of property related running expenses;

4.8.2. The Council holds three types of property related assets: operational, community and other. Other includes assets currently leased to tenants as well as assets surplus to requirements;

4.8.3. A number of these assets incur considerable annual running costs that include facility management and security, business rates, utility and insurance costs, and maintenance;

4.8.4. The majority of assets also carry the probable risk, or need, of requiring considerable capital investment with the related revenue cost that this will lead to;

4.8.5. The 3Rs programme of Retain, Re-use, Release is considering all of the council's assets in terms of need, service delivery, cost, capital expenditure requirements; and

4.8.6. A disposal programme identified the first assets for sale in March 2021 and further assets are being considered elsewhere on this agenda. Assets identified to date will provide a capital receipt and contribute towards expenditure reductions.

4.9. In summary, assuming that all of these are agreed and implemented, the financial position would be:

	2022/23	2023/24	Total
Gross Budget Pressure	21,826	12,513	34,339
Cabinet Decision (Appendix 1)	(3,340)	(596)	(3,936)
Income Generation	(1,360)	(522)	(1,882)
Provide Services Differently	(2,513)	(522)	(3,035)
Operational Efficiencies	(1,438)	(325)	(1,763)
Staff/Service reductions	(10,000)	(10,000)	(20,000)
Balance Still to Identify	3,175	548	3,723

4.10. The table above shows the original budget pressures reduced from £34.3m to £3.7m over the two-year period. However, Members should recognise that all of the identified savings will be challenging in themselves but there are also more challenging reductions in staffing/services and assets to identify.

5. **Reasons for Recommendation**

5.1. The Council has a statutory requirement to set a balanced budget annually. Action is required in a timely fashion when considering periods of consultation, where necessary, with staff, Overview and Scrutiny Committees and residents. A number of these proposals can be implemented under officer delegations, such as restructures and commercial income opportunities, but others will need to come back to Cabinet in September 2021 after relevant Overview and Scrutiny consideration.

6. **Consultation (including Overview and Scrutiny, if applicable)**

6.1. This report is based on consultation with the services, Directors' Board and portfolio holders. Proposals included within appendix 1 will be considered by the relevant Overview and Scrutiny Committee before being considered by Cabinet again later in the year. Public consultation will also take place where applicable.

7. **Impact on corporate policies, priorities, performance and community impact**

7.1. The implementation of previous savings proposals has already reduced service delivery levels and the council's ability to meet statutory requirements, impacting on the community and staff. These proposals will, to a certain degree, add to that. There is a risk that some agreed savings and mitigation may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.

8. Implications

8.1. Financial

Implications verified by: **Jonathan Wilson Assistant**

Assistant Director Corporate Finance

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 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. 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.

8.2. Legal

Implications verified by: **Ian Hunt Assistant**

**Assistant Director Law and Governance and
Monitoring Officer**

There are no specific direct legal implications set out in the report. There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act 1988 (Section 114) prescribes that the responsible financial officer "must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority". This includes an unbalanced budget.

Within the report there are a number of proposed savings identified, and there will be a process for consultation with Scrutiny and where relevant the public in line with the Councils duties to consult.

8.3. Diversity and Equality

Implications verified by: **Natalie Smith**

**Community Development and Equalities
Manager**

The Equality Act 2010 places a public duty on authorities to consider the impact of proposals on people with protected characteristics so that positive or negative impacts can be understood and enhanced or mitigated as appropriate. Services will be required to consider the impact on any proposals to reduce service levels through a community equality impact assessment which should seek to involve those directly affected.

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

Proposals set out in this report will have an impact on all services across the council through either a direct impact on front line service delivery or through general capacity to support both statutory and discretionary services.

9. **Appendices to the report**

Appendix 1 - Savings Proposals that Require Cabinet Approval

Appendix 2 - Savings Proposals under Directors' Operational Delegations

Report Author

Sean Clark

Corporate Director of Resources and Place Delivery

Savings Proposals Requiring Cabinet Approval

Directorate/Service	Narrative	2022/23 £000's	2023/24 £000's	Total £000's
Corporate	Assets – Some will require Cabinet approval as and when identified	(1,000)	0	(1,000)
Adults	ASC Provider Services Transformation	(554)	0	(554)
Children's	A comprehensive review of the Education Service,	(214)	(196)	(410)
Children's	Placements - To increase the number of internal fostering household numbers and to decrease our reliance on more expensive external foster placements.	(300)	(300)	(600)
Public Realm	Introduce Pay & Display in some Free Car Parks	(100)	(100)	(200)
Public Realm	Re-prioritisation and review of major routes and Town Centre cleansing	(100)	0	(100)
Public Realm	Review of Grounds Maintenance Programme	(100)	0	(100)
Public Realm	Garden Waste Collection Charging	(972)	0	(972)

Savings Proposals Under Directors' Delegation

Directorate	Narrative	2022/23	2023/24	Total	Saving Type
		£000's	£000's	£000's	
Adults	Integrated Commissioning	(322)	0	(322)	Transformation
Adults	Review of High Cost Supported Living Placements	(400)	0	(400)	Transformation
Adults	New Model of Care – Supported Living	(200)	(200)	(400)	Transformation
Adults	Population Health Management	(130)	0	(130)	Transformation
Public Realm	Residual waste collections reduced to fortnightly, introduction of food waste collections as outlined in the Waste Strategy. Previously agree by Cabinet	(322)	(322)	(644)	Transformation
Housing GF	Reduce use of Private Sector TA with new model of in borough provision, use of LHA	(1,139)	0	(1,139)	Transformation
Corporate	New Income Streams	(250)	(200)	(450)	Income
Adults	Implement increased Domiciliary Care Charging Immediately (previously agreed)	(205)	(22)	(227)	Income
Public Realm	Commercial Waste	(50)	0	(50)	Income
Public Realm	Bulky Waste	(20)	0	(20)	Income
Public Realm	Counter Fraud Commercial Income	(500)	0	(500)	Income
Public Realm	Commercially Trade CCTV Capability	(100)	(150)	(250)	Income
Public Realm	Commercial Grounds Maintenance Contracts	(150)	(150)	(300)	Income
Strategy and Engagement	Operational & Finance support for High House Production Park	(85)	0	(85)	Income
Corporate	General Costs	(250)	(200)	(450)	Operational
Adults	Re-tender PH contracts	(200)	0	(200)	Operational
Adults	Efficiencies from ending Section 75	(98)	0	(98)	Operational
Children's	Learning Universal Outcome – Further work is required to ensure service that remains delivers on	(175)	(125)	(300)	Operational

Savings Proposals Under Directors' Delegation

Directorate	Narrative	2022/23 £000's	2023/24 £000's	Total £000's	Saving Type
	SEND and statutory functions only. In 2021/22 savings of £1m will be implemented.				
Public Realm Resources and Place Delivery	Range of Minor Efficiencies	(115)	0	(115)	Operational
	MRP and Treasury	(500)	0	(500)	Operational
Strategy and Engagement HR, OD and Transformation	Review of advertising & publicity, look to use more online platforms	(25)	0	(25)	Operational
	Training	(75)	0	(75)	Operational
All	Targeted Staff Reductions already identified	(2,359)	(535)	(2,894)	Staff
All	Capitalisation and Grant Use	(2,000)	0	(2,000)	Staff