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|---|-----------------------------|-------------------------|
| 8 September 2021 | | ITEM: 10 |
| | | Decision: 110580 |
| Cabinet | | |
| Financial Update – Quarter 1 2021/22 and Revised Medium Term Financial Strategy | | |
| Wards and communities affected: All | Key Decision: Key | |
| Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance | | |
| Accountable Assistant Director: Jonathan Wilson, Assistant Director of Corporate Finance | | |
| Accountable Director: Sean Clark, Corporate Director of Resources & Place Delivery | | |
| This report is public | | |

Executive Summary

This report covers the first three months of the municipal year 2021/22 and includes the forecast outturn positions in respect of the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health Grant.

General Fund Revenue Monitoring Q1 2021/22

The projected forecast for the General Fund for the 2021/22 financial year is a breakeven position.

There is a significant pressure within core services relating to Children’s Social Care and the increase in both the number and complexity of cases which has significantly raised the average cost of support packages. This is consistent with expectations in the sector as the aftershock of the pandemic manifests itself. The current projected overspend in the Children’s directorate is £1.057m after the application of wider mitigations, and the planned use of non-general fund balance reserves and grants.

There remains ongoing uncertainty on the full impact that Covid-19 will have on wider services with specific impacts expected to develop in the Adult Social Care sector and in terms of increased levels of homelessness (both nationally and in the borough). The Adults, Housing and Health directorate is currently managing these pressures through grant funding and non-general fund balance reserves. The wider concern remains over the underlying costs bases in both Children’s Service and AHH if the ongoing impacts of Covid-19 on services is not matched by ongoing funding support from 2022/23.

Housing Revenue Account

The Housing Revenue Account is projecting a breakeven position. There has been a limited impact from Covid-19 to date and the stability of rental income continues to be monitored alongside the reduction in Covid-19 support mechanisms available to tenants (and particularly the furlough scheme).

Dedicated Schools Grant

The DSG is currently forecasting an overspend of £0.720m but is subject to change when the new academic year begins and movement in school places is confirmed.

A meeting was held with the Education Skills Funding Agency (ESFA) to discuss the DSG Management plan with the ESFA acknowledging the good practice of Thurrock through its open and transparent communication with schools and actions taken to reduce the deficit and manage demand.

Medium Term Financial Strategy

Cabinet received a report on the MTFS forecasts and proposed actions at their meeting on 7 July 2021, which reported a MTFS pressure for the council of £3.693m over the next two years. This report provides an update on the current position that shows projected deficits, assuming all budget proposals are adopted, of £1.838m in 2022/23 and £0.134m in 2023/24.

1. Recommendation:

1.1 That Cabinet comment on the forecast outturn position for 2021/22 and the revised MTFS.

General Fund Quarter 1 Monitoring

2. Introduction and Background

2.1. In February 2021, Council agreed the 2021/22 budget in line with a one year balanced MTFS. The approach to the 2021/22 budget has been through a mix of measures that either provide an ongoing benefit to the council or serve as a one off solution to enable sustainable savings to be identified and implemented. Key measures are as follows:

- Council Tax Increase – permanent – a 1.99% increase - £1.65m;
- Adult Social Care precept – a 3% increase – £2.48m;
- Government grant of £4.853m – one off – government support for Covid-19;
- Use of Capital receipts for Transformation Activity –£3m one off - subject to disposals;
- Use of non-general fund balance Reserves – £3.3m - one off;
- Reduction of Allowances - £0.800m;
- Vacant Post savings (one off) - £4m equates to approximately 100 posts; and
- Income loss contingency - £1.300m.

- 2.2. Financial reporting includes the ongoing response to the Covid-19 pandemic impacts which has required a wider range of responses from the Council and continues to be a source of uncertainty. This report sets out the latest assessment of the financial impact on 2021/22 and incorporates the associated MHCLG funding announced to date.
- 2.3. The Authority will continue to utilise the Control Outbreak Management Fund and the Infection Control Fund to support care providers and local businesses to deliver their services in a Covid-19 secure manner.
- 2.4. The report sets out the latest forecast position for 2021/22 across the main revenue accounts – the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health grant.
- 2.5. The General Fund position is set out in detail in the table below:

| Directorate | 2021/22 Budget | Month 3 Forecast | Month 3 Variance |
|-------------------------------|-----------------------|-------------------------|-------------------------|
| | £000 | £000 | £000 |
| Adults, Housing and Health | 46,419 | 46,015 | (404) |
| Children's Services | 41,700 | 42,757 | 1,057 |
| Housing General Fund | 1,818 | 1,818 | 0 |
| HR, OD and Transformation | 8,906 | 8,556 | (350) |
| Public Realm | 35,241 | 35,049 | (192) |
| Resources & Place Delivery | 15,931 | 15,415 | (515) |
| Strategy, Engagement & Growth | 3,791 | 3,387 | (405) |
| Central Financing | (79,003) | (79,533) | (530) |
| Treasury & Corporate Costs | (74,802) | (73,406) | 1,397 |
| Total | 0 | 58 | 58 |

- 2.6. It should be noted that although the above table indicates the saving target is likely to be achieved, this needs to be considered in the context of the balanced outturn position – essentially this saving is supporting delivery of a balanced position and further work needs to be undertaken to develop further plans to replace this temporary measure with sustainable savings.
- 2.7. Income losses attributable to Covid-19 will be partly offset by the Income Compensation grant (this currently applies to quarter 1 only) and the Income Loss Contingency allocation held within the Corporate Costs core budget. Gross income losses are set out in the table below:

| Income position | 2021/22 Budget | Month 3 Forecast | Month 3 variance |
|------------------------|-----------------------|-------------------------|-------------------------|
| | £000 | £000 | £000 |
| Fees and charges | (6,843) | (5,696) | 1,147 |
| Traded - non schools | (1,286) | (1,000) | 286 |
| Traded income- schools | (4,540) | (4,167) | 374 |
| Grand Total | (12,670) | (10,863) | 1,807 |

- 2.8. Income is forecast to be below budgeted levels based on the year to date position. This reflects the ongoing impact of Covid restrictions up until recently and a proportion of the forecast loss will be recovered through the income compensation scheme as at the end of June 2021. The risk is this impact extends through the rest of the year when the compensation mechanism will no longer be available. The position above is included in the wider forecast position and any further improvement will provide further financial resilience.
- 2.9. Income to be generated through the external contracts secured by the Counter Fraud Team for work with MHCLG have been excluded from the above position until formal signing and confirmation of associated expenditure has been ascertained, this is expected to be included in the month 4 position.

Analysis by Service Area:

Adult Social Care

| Service | 2021/22 Current Budget | Month 3 Forecast | Month 3 variance |
|----------------------------------|------------------------------|---------------------|---------------------|
| | £000 | £000 | £000 |
| Assistive Equipment & Technology | 649 | 654 | 5 |
| Commissioning & Service Delivery | 1,492 | 1,373 | (119) |
| Community Development | 2,101 | 1,909 | (192) |
| External Placements | 29,999 | 30,506 | 507 |
| Fieldwork Services | 4,631 | 4,297 | (334) |
| Provider Services | 7,548 | 7,277 | (270) |
| Total | 46,419 | 46,015 | (404) |

- 2.10. The 2021/22 Adult Social Care precept provided £2.5m in additional funding which was predominantly used to support the fragile external care market through an increase in both homecare, residential and nursing rates.
- 2.11. The month 3 outturn position is currently projecting a forecast underspend of £0.404m. This is largely as a result of a delay in the recruitment of social worker posts across Fieldwork Services. Although the overall value of all vacant posts for the current financial year is estimated to be £1.068m (as per table 2), these include essential front line service posts which need to be recruited to, but for 2021/22 are being used in part to offset demand pressures in wider services, and specifically, external placements.
- 2.12. Demand for placements for people with mental health and/or learning disabilities remains high. Officers continue to review packages to ensure outcomes are met and the levels of support are necessary and appropriate. During the current financial period, an increase in demand for older people services has been identified. This is closely aligned to the growth in demand that is also being seen within the health service that has largely been caused by the impact of the lockdown. During the last 15 months, a reduction in access to, and provision of, health services has resulted in poorer management of long term conditions and delays in

diagnoses. This is now feeding through into increased health and care demand.

- 2.13. The Hospital Discharge Initiative implemented in 2020/21 has been extended for the first half of the current financial year and is providing funding for ongoing health and social care packages as a result of the changes to the hospital discharge pathway, and will continue to be claimed through the NHS. The estimated ongoing impact on Adult Social Care budgets once this ceases has been included in the forecast outturn position which, in part, will be funded through the 2021/22 Covid funding from central government.
- 2.14. Due to the closure of premises in library services and day care, there are reduced levels of spend and associated income.
- 2.15. The level of income for care provision is not projected to be significantly impacted at this stage of the financial year, but will continue to be monitored closely.
- 2.16. The overall directorate position is being supported by the use of one-off non-general fund balance reserves and work is required by officers to determine the underlying financial pressures that will remain an issue in 2022/23 and any potential impact these will have on the delivery of agreed savings targets.

Children's Services

| Service | 2021/22 Budget | Quarter 1 Forecast | Quarter 1 variance |
|-------------------------------|----------------|--------------------|--------------------|
| | £000 | £000 | £000 |
| Children and Family Services | 32,217 | 33,846 | 1,629 |
| Head Start Housing Service | 848 | 877 | 29 |
| Learning & Universal Outcomes | 5,892 | 5,196 | (696) |
| School Transport | 2,743 | 2,838 | 95 |
| Total | 41,700 | 42,757 | 1,057 |

- 2.17. The overall Children's Services outturn position is a gross overspend of £2.87m before any mitigation is applied. The position relies on the use of one-off grant funding and reserves to reduce the pressure back down to £1.629m in 2021/22. There is concern that these pressures will impact the directorate's ability to contribute towards savings identified in future years and this will remain under assessment.

Children & Family Services

- 2.18. Placements within Children Services are reporting a gross overspend of £2.827m as a result of increased cases, increased complexity of need, large sibling groups and the additional need for supported accommodation. This can be reduced with the use of one-off non-general fund balance reserves and offsetting reduced expenditure elsewhere in the service to £1.318m.
- 2.19. The internal fostering service is continuing recruitment campaigns to increase numbers with competitive rates and the new council tax exemptions for new

and existing foster carers. The £0.681m saving offsets the additional costs within external fostering of £0.727m.

- 2.20. There are currently ten high cost placements with a total estimated cost of £2.883m for the year. The Directorate, as part of placement panel meetings, has an ongoing review of all high cost placements with a forecast annual cost of £0.130m and above.
- 2.21. Across the sector it is becoming more challenging to place looked after children in appropriate settings at the budgeted cost levels. This is due to supply issues with associated cost impacts and hence there is a focus on maintaining existing placements where possible. The cases subject to ongoing legal proceedings are delayed by the impact of Covid-19 on the legal system and will mean care plans will be resolved over a longer timescale and the return home for some children is delayed. The service continue to face ongoing costs pressures and uncertainty over these timescales, outcomes and hence future projections – currently the impact is estimated at £0.205m. A further review of 18 cases exceeding the 26 week deadline in place is in progress to consider the ongoing financial impact.

Head Start Housing & Aftercare

- 2.22. Head Start Housing (HSH) is projecting an almost breakeven position currently but note there is a delay to the adaptation of two properties which will now come in to use later in 2021.
- 2.23. In respect of aftercare services there are 12 cases with a range of complex needs which require specialist support to resolve. These cases have developed following shorter term support mechanisms put in place by the service in response to Covid-19 issues in 2020/21. Each case is under review to develop longer term solutions. This is expected to reduce the projected costs (currently at £0.944m) but note the issues are related to, for example, domestic violence, gang affiliation and young people recently released from prison. Covid funding will mitigate the projected cost while solutions are developed.

Home to School Transport

- 2.24. There is a projected overspend on Home to school transport of £0.294m. The forecast is based on current routes at full cost and this area remains under review.
- 2.25. The service incurs additional costs where a child is placed in temporary accommodation (in most cases outside of Thurrock) and need to be transported back to their current school. Included in the forecast are a total of 24 children costing £0.109m. Proposals to address this have been previously considered by Cabinet but were not accepted at the time and hence the cost remains a challenge.
- 2.26. In addition individual taxis with a cost of £0.171m have been incurred to provide Covid secure transportation. These temporary measures will be

withdrawn as the risks are reviewed as wider Covid-19 restrictions are removed.

2.27. For the start of the new academic year a review of all transport will be undertaken to:

- Cease additional routes put in place as a result of Covid;
- Review existing provision;
- Consider changes in routes as children transition to new schools; and
- Consider impact of Treetops Free School opening.

Public Realm

| Service | 2021/22 Budget | Month 3 Forecast | Month 3 variance |
|--|----------------|------------------|------------------|
| | £000 | £000 | £000 |
| Counter Fraud & Enforcement | (116) | (661) | (546) |
| Emergency Planning and Resilience | 434 | 433 | (1) |
| Environment and Highways | 1,617 | 1,502 | (115) |
| Highways, Fleet and Logistics | 9,369 | 9,296 | (74) |
| Planning Delivery Fund | 0 | 0 | 0 |
| Planning, Transportation and Public Protection | 3,881 | 4,399 | 518 |
| Street Scene and Leisure | 20,055 | 20,080 | 25 |
| Total | 35,241 | 35,049 | (192) |

2.28. There is a projected underspend of £0.192m in Public Realm including a £0.674m underspend from holding vacant posts.

Counter Fraud & Enforcement

2.29. The Counter Fraud team are in the process of securing contracts for external work with MHCLG. Depending upon the timescales and related expenditure to be incurred in the delivery of the work, there is to potential to improve the position further in-year. A more detailed position will be presented as part of the quarter 2 budget monitoring report.

2.30. The Enforcement function are forecasting pressures on parking income largely due to the changes in working patterns following the 'work from home' guidance from Central Government. It is unclear at this time as to how well income levels will recover as restrictions are lifted, there is the potential for a longer term demand issue in this area. The impact is supported by the income compensation scheme in the first quarter of 2021/22 but will need to be considered further for 2022/23.

Highways, Fleet & Logistics

2.31. The Highways Fleet and Logistics service is forecast to underspend by £0.074m due to vacant posts being held during the year and contribution towards to the wider saving target shown in table 2.

Street, Scene & Leisure

- 2.32. There is a slight overspend position at month 3 and there remains the ongoing risk related to the waste disposal contracts, which is the directorate's largest and most volatile budget. Waste disposal costs are difficult to forecast at this time due to the impact of the recent industrial action (waste could not be sorted at the seven bring-sites which meant a lower amount of waste was recycled and a higher amount of waste was residual compared to if this had been collected normally). The month 3 invoices will give a clearer indication as to the likely cost for the next quarter and allow for a more accurate full year estimate.
- 2.33. Contained within the position is the cost of responding to the Industrial action of £0.109m; this includes the additional costs of setting up and running the 9 bring sites offset by the reduction in staffing costs.

Planning, Transportation and Public Protection

- 2.34. The projected overspend is largely a reflection of forecast planning income losses compared to the budget in light of the ongoing impact of the pandemic. This remains under review and it is noted this include central government support for expected losses in the first quarter. In addition to this there are further staffing cost pressures related to agency staff in place to cover longer term absence.

Resources & Place Delivery

| Service | 2021/22 Budget | Month 3 Forecast | Month 3 variance |
|--|-----------------------|-------------------------|-------------------------|
| | £000 | £000 | £000 |
| Chief Executive | 409 | 412 | 3 |
| Corporate Finance | 5,494 | 5,465 | (29) |
| Delivery and Strategy | 249 | 241 | (8) |
| Democratic Services | 235 | 230 | (5) |
| Electoral Services | 486 | 403 | (83) |
| Legal Services | 2,244 | 2,152 | (92) |
| Lower Thames Crossing & Transport Infrastructure Service | 141 | 142 | 0 |
| Members Services | 804 | 793 | (11) |
| Place Delivery | 353 | 424 | 72 |
| Property | 5,516 | 5,153 | (363) |
| Total | 15,931 | 15,415 | (515) |

- 2.35. The Resources & Place Delivery directorate forecast variance at period 3 is £0.515m below budget.

Corporate Finance

- 2.36. There are a number of vacancies being held within the Revenues & Benefits Team whilst a wider review of staffing level versus service delivery takes place. Collection levels for council tax and NNDR remain high but needs to be monitored as the mechanisms for recovery action become available and cases are progressed. The impact on staffing levels and the subsequent levels of income that are collected are under review

Lower Thames Crossing

- 2.37. The forecast assumes the ear-marked reserves held will cover the cost of activity above the levels already allocated within the base budget. Any changes which may emerge through the LTC process requiring additional spend would be assessed separately.

Place Delivery Fund

- 2.38. A number of staffing costs are not yet linked to specific capital projects and therefore cannot be charged to the capital programme, as projects progress there is the potential to move this pressure of £0.072m from the general fund outturn. A review of capital plans will be carried out in quarter two.

Property Services

- 2.39. The cost of running a number of buildings is lower than the business as usual budget due to the restricted services being offered during the first quarter coupled with the general 'work from home' directive.
- 2.40. The service are also running with a number of vacancies within Assets and Facilities Management.

Housing General Fund

| Service | 2021/22 Budget | Month 3 Forecast | Month 3 variance |
|------------------------|-----------------------|-------------------------|-------------------------|
| | £000 | £000 | £000 |
| Homelessness | 1,427 | 1,427 | 0 |
| Private Sector Housing | 338 | 338 | 0 |
| Travellers | 53 | 54 | 0 |
| Total | 1,818 | 1,818 | 0 |

- 2.41. The Housing General Fund financial outturn is projected to be delivered within the agreed budget level. However, there is an expected increase in demand for homelessness services once the restrictions to landlord driven evictions are lifted and the associated costs will be met through the Covid-19 funding. The demand levels will become a potential risk as restrictions are lifted, funding ends and core budgets need to be considered in this context for 2022/23.

Homelessness

- 2.42. One of the major routes into homelessness is as a result of landlords imposing eviction measures. These measures operate again from July 2021. The concern is there will be an increase in the number of households presenting as homeless. In addition, as the wider economic impacts of the pandemic are felt, this may further increase pressure on the service and hence there is the assumed use of non-general fund balance reserves in this area.
- 2.43. A separate paper will be brought forward on how the council intends to address homelessness in the near future.

Private Sector Housing

- 2.44. The private sector housing service has an income requirement to achieve circa 50% of its overall net costs built into the base budget. One of the key income streams is from the inspections of privately let accommodation. Social distancing measures have meant a restriction in the level of work permitted, which is projected to have a directly detrimental effect on the overall budget position and is supported by the reserve.

Strategy, Engagement & Growth

| Service | 2021/22 Budget | Month 3 Forecast | Month 3 variance |
|--|-----------------------|-------------------------|-------------------------|
| | £000 | £000 | £000 |
| Economic Growth & Partnerships | 532 | 539 | 7 |
| Social Care Performance | 1,230 | 1,076 | (154) |
| Strategy, Communications & Customer Services | 2,029 | 1,772 | (258) |
| Total | 3,791 | 3,387 | (405) |

- 2.45. The overall Strategy, Engagement & Growth directorate have a forecast variance at period 3 of £0.405m underspend.
- 2.46. Customer Services have a forecast underspend due to the reduced levels of face to face service and the use of alternative telephony and online functions. There are a number of vacant posts being held by the teams. Any decisions regarding the reinstatement of face-to-face services may result in changes to the financial position but the option to redeploy staff will be reviewed.
- 2.47. The Registrars service were able to resume their function without restrictions from July and the level of demand will affect the final position, more detailed work will be carried out as part of the ongoing monthly monitoring.

HR, OD & Transformation

| Service | 2021/22 Budget | Month 3 Forecast | Month 3 variance |
|---------------------------|----------------|------------------|------------------|
| | £000 | £000 | £000 |
| HR, OD and Transformation | 5,242 | 4,929 | (313) |
| ICT | 3,664 | 3,628 | (36) |
| Total | 8,906 | 8,556 | (350) |

- 2.48. The Directorate continue to manage their staffing levels and vacancies to contain additional resource pressures relating to Pay Review, Smarter Working and other corporate programmes within the base budget allocation. Additional specialist resources to increase momentum in the delivery of digital interventions and savings are being sourced through capital and transformation funding.

Central Financing, Treasury & Corporate Costs

- 2.49. The treasury and investment outturn projections remain in line with the base budget, and the implications included within the Medium Term financial strategy.
- 2.50. Contained within the corporate costs category are those savings which cannot be attributable to one service area and are therefore being held centrally (for example the vacant post saving of £4m) along with the temporary funding measures including Covid-19 funding, use of non-general fund balance reserves and capital receipts. The projected overspend reflects two things - the difference between the vacant post saving relating to each directorate and the actual directorate outturn and the delay to the implementation of the next phase of the pay review.
- 2.51. The position on vacant posts continues to be monitored and the changes to the pay review will be delivered in 2022/23 following further negotiations with the unions.

Housing Revenue Account

| Service | 2021/22 Budget | Month 3 forecast | Month 3 Variance |
|----------------------------|----------------|------------------|------------------|
| Development | 235 | 235 | 0 |
| Financing and Recharges | 24,175 | 24,175 | 0 |
| Rent and Income | (50,272) | (50,272) | 0 |
| Repairs and Maintenance | 12,097 | 12,097 | 0 |
| Supervision and Management | 13,765 | 13,765 | 0 |
| Total | 0 | 0 | 0 |

- 2.52. The HRA has a forecast balanced budget position for the end of the financial year.

- 2.53. At present, there are no adverse variances identified within repairs and maintenance or operational activities.
- 2.54. Rent collection levels remain in line with the budgeted forecast, but there is a potential risk of bad debts and arrears as economic ramifications of the pandemic become known in due course. This will continue to be monitored closely, and provision adjusted accordingly.
- 2.55. Funding from the 2020/21 outturn position has been earmarked in a reserve to help with any associated decant costs upon the completion of the Calcutta Club properties later on in the year.

Dedicated Schools Grant

| | Funding Settlement | Academy Recoupment | Funding Block transfer | Final DSG | Month 3 Forecast | Month 3 Variance |
|------------------|--------------------|--------------------|------------------------|---------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Schools | 140,936 | (135,263) | (673) | 5,000 | 5,000 | 0 |
| Central Services | 1,783 | 0 | (200) | 1,583 | 1,610 | 27 |
| High Needs | 28,266 | (5,678) | 873 | 23,461 | 24,199 | 738 |
| Early Years | 12,877 | | 0 | 12,877 | 12,832 | (45) |
| Total | 183,862 | (140,941) | 0 | 42,921 | 42,921 | 720 |

- 2.56. The Dedicated Schools Grant is currently forecasting an overspend of £0.720m in 2021/22. This reflects additional High Needs Block funding received in 2021/22, consideration of the 2020/21 outturn position along with the latest sector information available. This information will be subject to changes at the start of the academic year once the movement in school places is confirmed.
- 2.57. The High Needs Block is the significant area of financial risk and linked to the continued increase in the number of EHCPs. A full review will be undertaken to understand the financial implications once changes for the new academic year are confirmed. In common with wider education authorities in the sector work continues with the Education and Skills Funding Agency to address the financial sustainability of the DSG.
- 2.58. A review of the local offer and commissioned places available in Thurrock continues. The need to challenge schools on the use of the Notional SEN budget and the requirement to progress to an EHCP remains. This will be subject to change once changes for the new academic year are confirmed.

Public Health

- 2.59. The Public Health Grant was increased by £0.101m in 2021/22 with the full allocation for the year now being £11.585m. The increase has been largely allocated to reducing waiting lists for sexual health and weight management services. A number of functions could not be delivered whilst the national

restrictions were in place and the team are committed to ensuring these services are once again available and working to improve the health of the local population.

- 2.60. Other schemes such as the Thurrock 0-19 Brighter Futures Healthy Families Service will continue to be funded through the grant and provide targeted support and a range of interventions for children, young people and their families across the borough.
- 2.61. The month 3 forecast is an underspend of £0.100m which will be placed into a ring-fenced reserve and allocated in 2022/23 to deal with the anticipated longer term effects of the pandemic on the local population and increased demand for local primary services.

3. Medium Term Financial Strategy (MTFS)

- 3.1. Cabinet considered the MTFS position and a number of budget proposals at their meeting on 7 July 2021.
- 3.2. Appendix 1 of that report included a number of proposals that require Cabinet approval. Further reports will come back to Cabinet in November/December once consultation has taken place with staff, the relevant Overview and Scrutiny Committee and public where necessary.
- 3.3. Those savings included in Appendix 2 of that report fall under officer delegations and are being progressed accordingly.
- 3.4. The MTFS attached at Appendix 1 to this report shows projected deficits of £1.838m in 2022/23 and £0.134m in 2023/24, a total of £1.972m over two years. This is an improvement of £1.751m from the July report, mainly from council tax and business rates projections.
- 3.5. Cabinet should note that these figures assume all proposals set out in the July report are agreed and implemented, including the target of £20m from staff/service reductions. A final draft budget will be provided to Cabinet for consideration in January when the council should know the outcome of the government's Comprehensive Spending Review and its impact on Thurrock Council in particular. This will also allow a third year to be added to the MTFS for 2024/25.

4. Reasons for Recommendation

- 4.1. This report sets out the current financial position of the council and shows that the 2021/22 budget is largely on target. This is for noting and comment.
- 4.2. 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 will be implemented under officer delegations, such as restructures and commercial income opportunities, but others will need to come back to Cabinet after relevant Overview and Scrutiny consideration.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1. This report is based on consultation with the services, Directors' Board and portfolio holders. Previously reported proposals will receive relevant consultation.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1. 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. Budget 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.

7. Implications

7.1. Financial

Implications verified by: **Jonathan Wilson**

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.

7.2. Legal

Implications verified by: **Ian Hunt**

**Assistant Director Law & 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.

7.3. **Diversity and Equality**

Implications verified by: **Natalie Smith**

**Community Development & 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.

7.4. **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, and Impact on Looked After Children)

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.

8. **Appendices to the report**

Appendix 1: Medium Term Financial Strategy

Report Author

Sean Clark

Corporate Director of Resources and Place Delivery

Medium Term Financial Strategy

| Narrative | 2022/23 | 2023/24 |
|--|-----------------|-----------------|
| | £000's | £000's |
| Council Tax Position | (1,931) | (2,034) |
| Business Rates Position | (1,665) | (2,165) |
| Government Resources Position | 375 | 784 |
| Net Additional (Reduction) in resources | (3,221) | (3,414) |
| Inflation and other increases | 4,515 | 4,665 |
| Treasury | 6,754 | 2,948 |
| Corporate Growth | 3,314 | 3,314 |
| Commercial Income | (1,089) | 0 |
| Internal Position | 13,494 | 10,927 |
| Core Budget Deficit before intervention | 10,273 | 7,513 |
| Savings Departmental | (13,400) | (1,915) |
| General Staffing | (438) | (9,063) |
| Cross Cutting | (1,750) | (400) |
| Wider Funding | 0 | 0 |
| Internal Core Budget Savings | (15,588) | (11,377) |
| Core Budget Deficit Position | (5,315) | (3,866) |
| Other funding (not affecting baseline) | | |
| Utilisation of Capital Receipts | 3,000 | 0 |
| Use of non-general fund balance reserves 2021/22 | 3,300 | 0 |
| Capital receipts 2022/23 | (2,000) | 2,000 |
| Use of non-general fund balance reserves 2022/23 | (2,000) | 2,000 |
| Covid Grant | 4,853 | 0 |
| | 7,153 | 4,000 |
| Overall Budget Working Total | 1,838 | 134 |