9 February 2022	ITEM: 10 Decision: 110599

Cabinet

Draft General Fund Budget and Medium Term Financial Strategy Update

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, Assistant Director Finance

Accountable Director: Sean Clark, Corporate Director of Resources & Place Delivery

This report is public

Executive Summary

Cabinet agreed a draft budget at their meeting on 12 January 2022 and referred their proposals to Corporate Overview and Scrutiny Committee on 18 January 2022 for their consideration and comment. This report sets out the committee's comments for Cabinet to consider when recommending their final budget proposals to Full Council.

This report confirms a draft balanced budget for 2022/23.

Analysis of the support provided by the government from the Spending Review 2021 has been carried out and included in the body of this report.

This is a one-year settlement at individual authority level and hence primarily affects only the 2022/23 financial position. The settlement provides some additional funding which, when supported by the continued use of capital receipts for transformational purposes and financial resilience reserves, enables a balanced budget to be set in 2022/23. The additional funding provides some further financial support to social care services. In the two subsequent years, the current projected shortfalls are confirmed as £8.095m and £5.364m respectively before efficiencies are finalised and implemented.

Guidance issued by Central Government is included in this report This is comprised of the general element of 1.99% with a further 1% Adult Social Care precept to fund increasing demand pressures within the service. Post COVID-19 social care remains

a challenging area with well-documented increases in demand nationally and which the council itself has experienced at the local level. This is reflected in the increasing growth in new and complex cases. It is proposed that all of the 1.99% will be allocated to Children's Social Care – to reflect well-documented pressures in the system (again an issue seen across the entirety of councils with social care responsibility).

This report also sets out the indicative allocation of anticipated growth and savings identified to date and demonstrates the impact on directorate cash envelopes for 2022/23.

Section 9 presents the recommended additions and approach to the new capital project programme for 2022/23 and subsequent years.

Section 10 shows the Dedicated Schools Budget allocation for 2022/23.

The Corporate Overview and Scrutiny considered the report at its meeting on 18 January 2022 and comments are included in section 13 of the report.

1. Recommendations:

1.1 That Cabinet consider the comments from Overview & Scrutiny Committee as set out in section 13 of the report;

1.2 That Cabinet support the additional use of capital receipts and general reserves to meet the 2022/23 budget deficit of £0.190m;

1.3 That Cabinet supports the proposed council tax increase of 1.99%;

1.4 That Cabinet supports a 1% Adult Social Care precept increase; and

1.5 That the Cabinet recommend to Full Council the capital proposals set out in section 9 of this report and appendix 5;

1.6 That Cabinet endorse the Early Years Funding formula for 2022/23, as shown in section 10; and

1.7 That Cabinet note the proposed updates to the Medium Term Financial Strategy and the remaining deficits in future years.

2. Introduction & Background

2.1 Officers have consistently reported over significant years that the Council operates from a low financial base in terms of core funding:

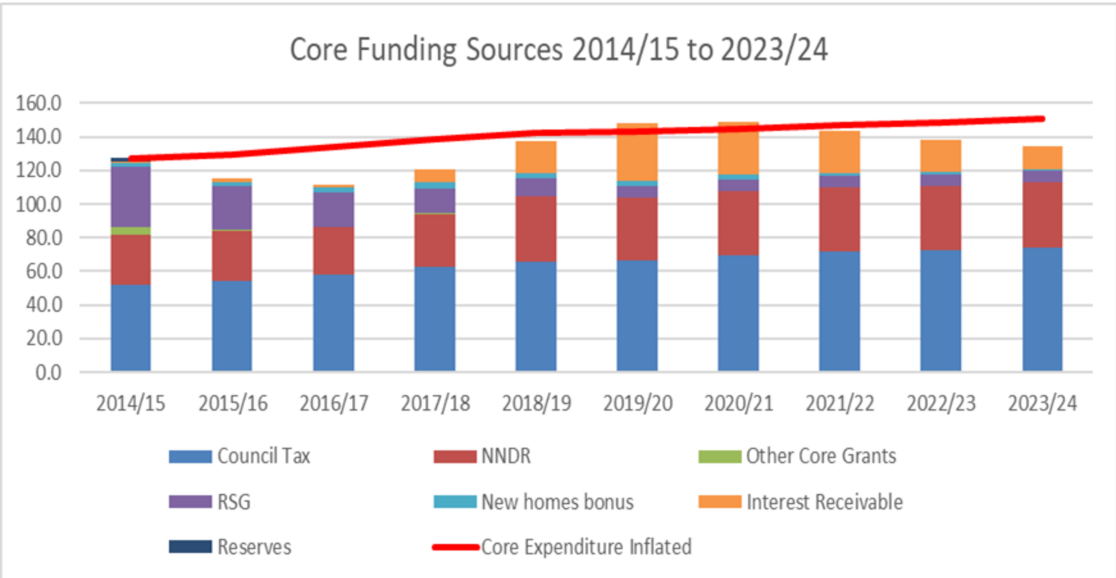
- The council has the third lowest band D council tax compared to other unitary authorities at £1,399.32.This is £499.23 lower than the highest amount raised by a unitary authority per band D property in 2021/22.

- 70% of Thurrock properties are in band A-C and so raise significantly less than a band D level;
- The amount raised in council tax in 2020/21 was £71.11m compared with the nearest neighbouring authority Southend of £87.64m. For wider comparison the highest level of Council Tax income raised by a unitary authority is £126.06m (Nottingham City Council); and
- In 2021/22 Thurrock projected to raise £121.31m of business rates but retain just £38.37m of the amount collected in the area.

2.2 As previously reported, the CIPFA Resilience Index provides further context based on the proportionate level of Adult Social Care spend. One measure classifies the amount that Thurrock spends on Adult Social Care is higher than average percentage of overall budget (i.e. a risk) despite national benchmarking reporting that Thurrock Council is one of the lowest ASC spenders in the country and the total budget being low compared to others as set out in paragraph 2.1.

2.3 Council tax increases are limited every year and an annual increase of 1.99% is assumed for MTFS purposes. Increases to business rates are set by the government and not in the control of the local authority. As such, the ability to raise taxes locally are limited by central government.

2.4 The Local Government Association note, as recent as December 2021 that all local councils across the UK will need to increase council tax to stand any chance of achieving pre-pandemic level service quality.

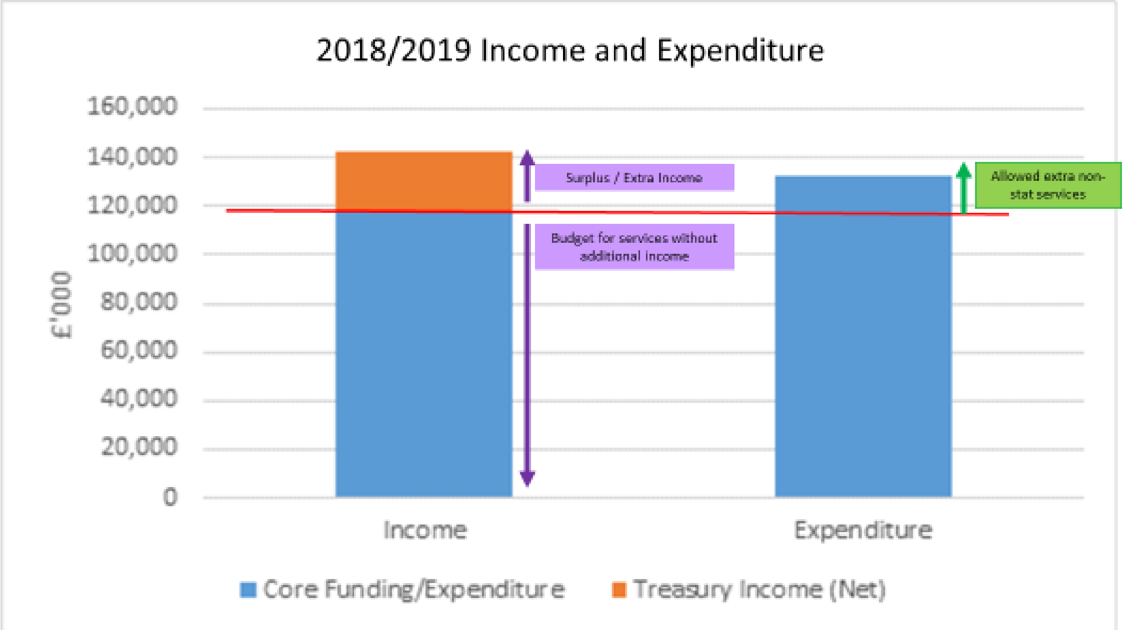


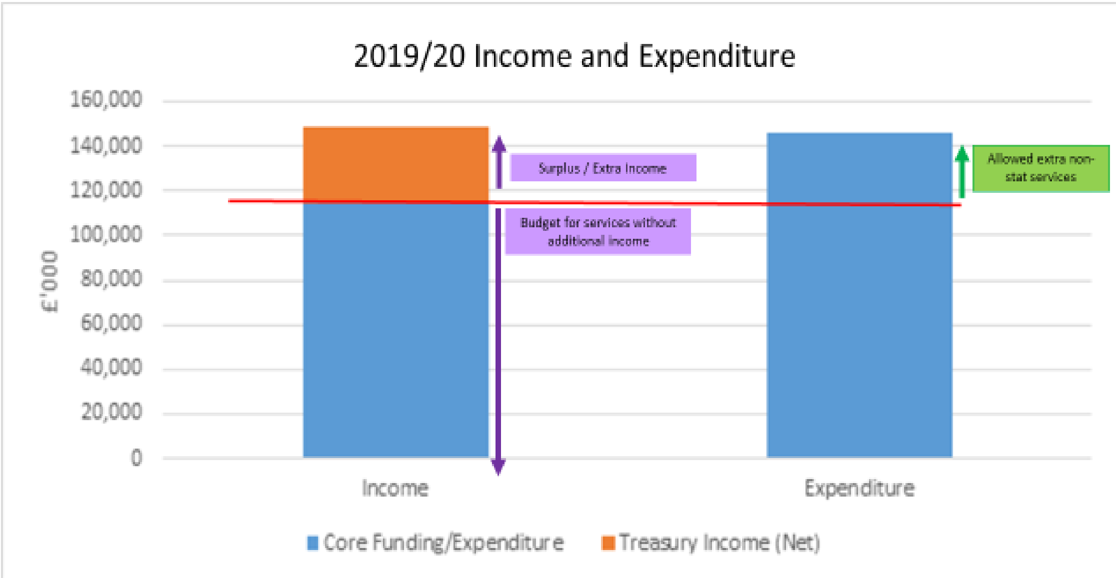
2.5 The financial pressures faced by the Council continue to be further challenged by the ongoing impacts of Covid-19, which includes significant demand increases in both children's and adults' social care; an issue growing across the entire local government sector.

2.6 In addition and despite the approach successfully enduring the test of a 22-month international pandemic, the Council continues to deprioritise the previously council-wide agreed investment approach. This means investments that were planned and agreed as part of the medium term financial strategy have been removed from forecasts and existing investments will not be replaced. The removal of this funding support mechanism increases the funding gaps faced by the Council over the short to medium term. As such, the current investment surplus in excess of £30m per annum will be removed in a phased manner from the council's finances over the next decade adding to the annual pressures that every council faces.

2.7 Incidentally, the EELGA response to the CSR, published in September 2021 noted: *Recent examples of commercial failures in some council ventures should not deter central or local government from pursuing relevant, suitable opportunities for prudent commercial decisions and developments. Instances of failure are relatively rare, so a proportionate response to risk mitigation is needed, so that councils can flourish and do their part to generate additional income where appropriate.* Whilst there are public bodies that appear to continue to support the concept of local authority investments; whilst there remains uncertainty on what councils can and cannot do, the council will not seek to modify its position that it will exit on a phased-basis from the approach it commenced initially in 2016.

2.8 The impacts of this can be illustrated best by the graphics below – the first three graphs show how income from the approach allowed the funding of services above and beyond the statutory minimum (2018/19, 2019/20, 2020/21). The fourth graph (2021/22) shows illustrates how the income reduction from the phased-wind down of the approach means that the council need to do what it would have had to do at rapid pace in May 2016.


2018/2019 Income and Expenditure
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
£'000
Surplus / Extra Income
Budget for services without additional income
Allowed extra non-stat services
Income
Expenditure
Core Funding/Expenditure
Treasury Income (Net)


2019/20 Income and Expenditure
160,000
140,000
120,000
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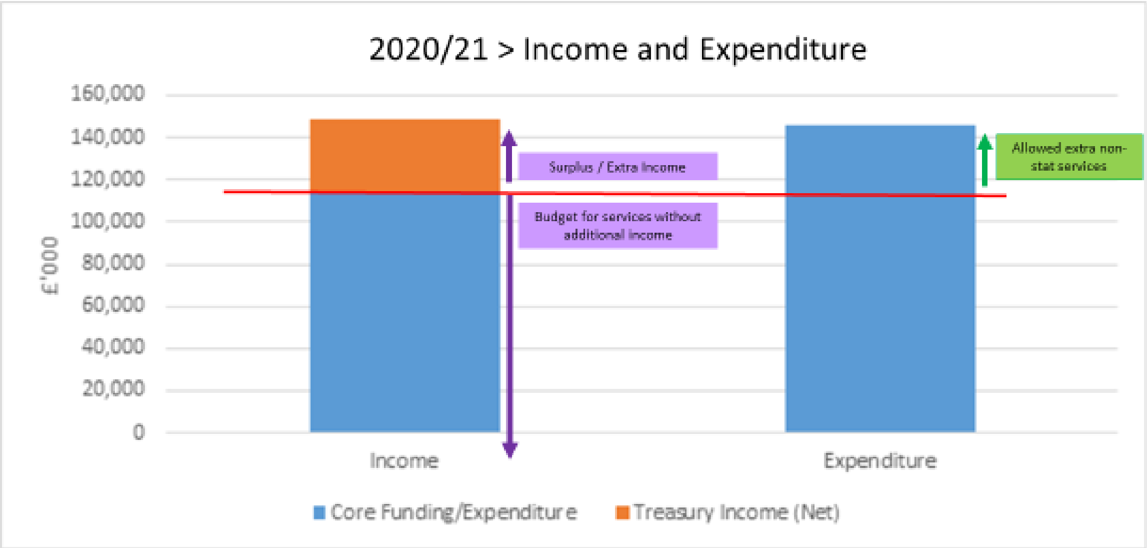

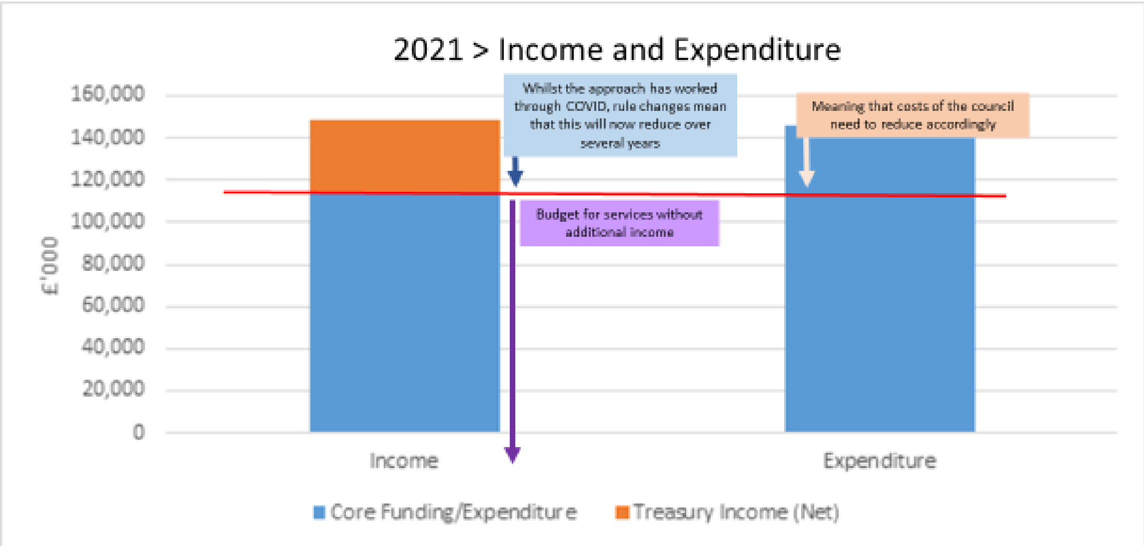

3 Medium Term Financial Strategy

3.1 The MTFS is prepared using 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.

3.2 The Comprehensive Spending Review has provided additional detail following their headline announcements on 27 October 2021. Overall, the government said the settlement would provide a real-terms spending power increase of 4% on 2021/22. This reflects both inflationary rises to core grants and the assumption that Councils will raise council tax up to the referendum limit. In practice, this means a 1.99% increase in council tax, and 1% for the Adult Social Care precept.

3.3 The government has confirmed that within these increases councils will receive a share of £700m of new grant funding for social care. The social care precept and including this assumption equates to a total £1bn year-on-year funding increase in 2022/23. This also includes the Department for Health and Social Care's Market Sustainability and Fair Cost of Care Fund of £162m. This is to provide support as Local Authorities prepare their markets for reform and move towards paying providers a fair cost of care. The impact of the reforms are not yet known but will add additional cost pressures once further guidance is issued and assessed.

3.4 Local authorities will also receive a share of a one-off £822m 'Services Grant' in 2022/23, to help meet service demands, as part of a single-year provisional local government settlement. This grant includes funding for local government costs arising from the increase in employer National Insurance Contributions and increased costs linked to the increases in the National Living Wage. The funding does not explicitly include funding to address the equivalent increases faced by suppliers of goods and services procured by the Council. There is also concern that this is a one-off grant whilst the increases to NI and NLW are permanent meaning there will be increased pressure on the budget in 2023/24.

3.5 Whilst changes to core grant funding is welcomed, it needs to be considered in the context of the removal of the Covid-19 funding. The Council received a grant of £4.853m in 2021/22 and the removal of this offsets the wider benefits received from changes in core grant funding. As such, the 4% set out in para 3.2 is measured against the council's budget in this financial year after the removal of the £4.853m.The net effect of the settlement is an additional £2.470m as set out in the table in paragraph 3.8.

3.6 As in previous years, the government also confirmed that the business rates multiplier will be frozen and local authorities would receive an equivalent compensation grant. In addition, there will be adjustments to business rates including a temporary relief of £1.7bn across 400,000 retail, hospitality and leisure properties in 2022/23. Broadly, this equates to a 50% business rates reduction for those qualifying businesses and local authorities will receive an equivalent grant to compensate them for the loss of income.

3.7 While there is some clarity on the level of sector-wide funding for the following two years, the individual allocations to local authorities have not been confirmed so in effect, this is a single year settlement. It is expected there will be further consideration of proposed reforms to the funding formula in 2022/23 to support the wider levelling up agenda, the impact of which on each local authority will not likely be clear until December 2022. The short term funding confirmation only provides limited and short-term stability for local authorities.

3.8 The below table shows the confirmed additional funding for 2022/23:

Narrative	**2022/23**
	£'000
Council Tax (1,99% plus 1% ASC precept)	(2,143)
Business Rates Funding (CPI increase)	(998)
Core Grant Changes	(3,740)
Removal of Covid-19 Funding	4,853
Market Sustainability & Fair Cost of Care Fund	(442)
Total	**(2,470)**

3.9 As the Council has one of the lowest funding bases compared to other equivalent unitary authorities and neighbouring authorities, net expenditure on services is, by definition, lower than average. Consequently identifying savings to meet these pressures from an inherently low cost base continues to be extremely challenging.

3.10 This financially challenging position is not new to the Council as over the last decade, significant MTFS deficits were commonplace as recently as 2016/17.This is also a consistent position across the wider sector further exacerbated by the impact of the pandemic.

3.11 The unanimously agreed investment approach that provided the ability to fund services above the statutory minimum, provide headroom for the council to reform services, and increased useable reserves by 300% (from £8m in 2016 to £24m at the outset of the pandemic in March 2020) has been paused. Future investments of this nature, for reasons previously reported (despite their withstanding the impacts of a pandemic), are no longer an option.

3.12 The revised MTFS is included in Appendix 1. The overall financial position over the next 3 years shows a revised deficit of £14.269m. This has arisen primarily from the projected long-term impact of Covid-19, including the impact on both Adults and Children's social care, a pause to the investment approach and the reversal of temporary funding support mechanisms.

3.13 The below table shows a summarised MTFS position and reflects all confirmed funding known to date:

MTFS Category	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000
Local Funding - Council Tax	(3,065)	(3,444)	(4,249)	(10,758)
Local Funding - Business Rates	(1,757)	(2,165)	(3,165)	(7,087)
Total Government Resources	796	784	157	1,612
Inflation and other increases	5,515	4,665	4,762	14,942
Treasury	6,754	2,948	3,368	13,070
Social Care Growth	7,241	3,314	3,314	13,869
Commercial Income	(1,089)	0	0	(1,089)
Savings allocation	(14,206)	(3,687)	0	(17,893)
Capital Receipts & Reserves	(190)	6,490	0	6,300
Remaining gap	**0**	**8,905**	**5,364**	**14,269**

3.14 The gap has been bridged by the extension of the use of capital funding to support transformation and, as required, further use of resilience reserves is applied to the 2022/23 position – which is only possible as a result of the reserves increases facilitated since 2016. This provides certainty that the Local Authority's statutory duty to set a balanced budget can be met. Members should note that the use of reserves enables a one-off stimulus. They cannot be used for sustainable spending needs and, as such, Members are reminded of the need to reform services for a sustainable medium/long term cost base and every effort must be made to achieve further savings in 2022/23 to reduce the call on these one-off measures

3.15 The proposed use of capital transformation activity and reserves in 2022/23 will leave remaining deficits of £8.905m and £5.364m in 2023/24 and 2024/25 respectively.

3.16 Significant savings have been identified through changes to service delivery, process automation, recruitment management and general efficiencies. Further work is required to identify additional savings that can be achieved through a wider transformation programme with the intention of balancing the 2023/24 and 2024/25 positions.

4 Draft 2022/23 Budget, Growth & Savings

4.1 The full MTFS forms the basis for the detailed budget allocation across the authority and changes are reflected to arrive at indicative cash envelopes for 2022/23. This is shown in Appendix 1.

4.2 Growth has been applied in line with the government's intention to support both adults' and children's social care and is reflective of the most recent budget monitoring report presented to the Cabinet in which significant pressures were identified in both these key areas for 2021/22.

4.3 The 2022/23 budget relies on the achievement of a number of service led savings targets (developed in consultation with relevant portfolio holders) alongside additional crosscutting targets. The full saving list is included in Appendix 2 and summarised for each directorate below:

Directorate	**Specific Directorate savings**	**Additional Cross-cutting savings**	**Total 2022/23 Directorate Savings**
£000	**£000**	**£000**	**£000**
Adults, Housing and Health	(2,264)	(117)	(2,381)
Children's Services	(2,859)	(140)	(2,999)
Housing General Fund	(1,495)	(24)	(1,520)
HR, OD and Transformation	(275)	(341)	(616)
Public Realm	(1,707)	(126)	(1,832)
Resources & Place Delivery	(1,963)	(945)	(2,908)
Strategy, Engagement & Growth	(355)	(94)	(449)
Wider Corporate Savings	(1,500)		(1,500)
Total	**(12,418)**	**(1,787)**	**(14,206)**

4.4 The following section sets out key growth and savings items for each directorate, supported by the full list in Appendix 2.

Adults, Housing & Health

4.5 Growth of £4.150m, funded through a combination of the Social Care precept, direct government grant and internal resources, has been allocated predominately to the external placements budget to support the increased demand for services (largely as a result of the COVID-19 pandemic). There is concern that the longer-term impact on service demand has not yet been fully realised at a local level and costs in this area will continue to increase.

4.6 Additional financial support will be required in this area in future years to ensure stability within the wider sector and is an issue that continues to attract national attention from pressure groups and advocacy groups.

4.7 A comprehensive review of the service has led to the identification of a number of targeted efficiencies through the amalgamation of the fieldwork and provider services, including the reduction in the Older Peoples' Day Care Service provision and a change in the provision of the meal delivery service. As part of the continued transformation of Adult Social Care services, this proposal will achieve improved outcomes within provider and fieldwork services, whilst delivering a number of efficiencies.

4.8 Increased charging for domiciliary care will generate additional revenue and this will remain dependant on peoples' ability to pay. A thorough financial assessment and review process for each individual remains in place. The recent changes to government legislation regarding care cost cap will ensure no individual contributes more than £86,000 towards their care over their lifetime. The long-term impact of this legislative change on the Authority's finances will need to be considered as the detail of the proposals is shared with the sector.

Children's Services

4.9 Significant budget pressures have been highlighted in 2021/22, particularly regarding demand for placements for young people with more complex needs. These pressures will have an ongoing impact on future years. Growth has been allocated to the value of £3.091m to support key services related to looked after children's placements part funded by the 1.99% proposed increase

4.10 Alongside this is an ambitious transformation programme that looks to reduce spend by over £3m in 2022/23, through a comprehensive review of education services, work to transform the delivery of social care, the continued review of high cost placements and a further review of the efficiency in which services are delivered. This will be informed by a specific financial review of the service to ensure a wider holistic view of the service can also inform the balance between the cost and effective delivery of the core services.

4.11 There remains significant risk in this area as reported throughout 2021/22 and the savings work continues against a backdrop of increased levels of looked after children. This will remain under review in the current year with actions being taken to address the significant high cost drivers.

Housing General Fund

4.12 A new approach to providing support for homeless people is intended to reduce significantly the demand for expensive temporary accommodation and the provision of Bed and Breakfast. The saving is based on the delivery of accommodation and hence any delay to the purchase of properties may affect the ability to realise fully the saving in 2022/23. There remains a focus to deliver the required accommodation in accordance with agreed timescales.

4.13 There is a specific reserve held to support this area that would provide one-off mitigation for any delays to the scheme becoming operational.

HR, OD & Transformation

4.14 Targeted staffing reductions and the use of capital funding to support the corporate transformation programme will realise a number of savings for the directorate.

4.15 The digital efficiency review is intended to identify a range of transactional processes across the authority that can be automated or streamlined and lead to a reduction in costs.

4.16 The centralisation of IT functions continues to rationalise and centralise further corporate systems that have historically been managed at directorate level. This ensures both the system and the service support required is considered in the context of the wider corporate IT delivery and enables rationalisation of systems and the associated support.

Public Realm

4.17 As part of the longer-term waste strategy, savings will also be realised by moving to fortnightly collection for residual waste, as agreed by Cabinet in November 2020. This transformation initiative's intention is to increase recycling rates by encouraging the use of the weekly recycling (blue) bin service, and to discourage the use of general waste (green/black) bins for anything other than non-recyclable waste.

4.18 Continued work with external bodies will generate additional income for the Counter Fraud Team. This builds on the current service provided to central government to tackle fraud arising from the implementation of business loan schemes in response to the pandemic. The wider more commercial approach to income generation across the directorate will generate increased income from the enforcement of parking regulations, developing the commercial offer in respect of grounds maintenance and the provision of CCTV services.

Resources & Place Delivery

4.19 Capitalisation of staff time to relevant capital projects will reduce the pressure on the general fund budget whilst ensuring service levels are maintained across key areas.

4.20 A review of assets held by the authority, including the identification of those surplus to requirements, or those which are not efficient/self-sufficient, is intended to realise revenue savings by reducing the day-to-day running costs of the individual sites. Previous papers have been presented to Cabinet and discussions are ongoing regarding a number of options.

Strategy, Engagement & Growth

4.21 Customer Services face-to-face support was significantly scaled back as part of the national restrictions implemented during the pandemic however, support continued to be provided by telephone, via email and by accessing services online. The council's customer services strategy promotes self-service for residents who can access services digitally and aims to ensure vulnerable residents get the support they need. It is the intention to continue this approach and further develop digital by default for universal services while ensuring resource is focused on supporting the most vulnerable residents to realise associated savings in the base budget.

4.22 The indicative impact of the above on each directorate's cash envelope for 2022/23 is shown in Appendix 3.

5 Council Tax and Future Funding

5.1 Members will be aware that Thurrock Council has the lowest council tax in Essex and one of the lowest of all unitary authorities throughout the country. For example, residents in Thurrock Band D properties pay circa £195 per annum less than residents in Band D properties in Southend-on-Sea and circa £282 less than residents in Band D properties in neighbouring Basildon. Officers' advice is clear that council tax increase of 1.99% remains essential in 2022/23 to ensure that the council can continue to fund the delivery of core services.

5.2 Whilst the Adult Social Care precept is required to provide much needed additional funding, the amount raised by Thurrock Council will be comparatively lower than the majority of top tier authorities as historically the Council has not maximised council tax increases up to the level indicated by Central Government in previous years. A comparison with the band D level of Council Tax at other Essex authorities confirms the Council position is circa £195 below the average. This equates to a level of funding circa £9.9m below the average level in Essex.

5.3 It remains critical to provide this additional financial resilience in future years to mitigate the identified budget shortfalls currently identified. This recommendation will be reflected in the S151 Officer's Section 25 statement and is a key consideration for Members at the council meeting on 23 February 2022.

5.4 A 1% council tax increase equates to £0.718m additional funding for the Authority.

5.5 The following table highlights the specific financial impact of a 1% increase on Council tax per annum/per household based on the 2021/22 band charge (which includes the Essex Police and Essex Fire Authority precepts).

Band	Band Charge	Properties		Average Net Charge	Average 1% Increase p.a.
		No.	%		
A	£1,121.16	7,491	10.8%	£643.80	£6.44
B	£1,308.02	13,819	19.9%	£982.76	£9.83
C	£1,494.88	27,438	39.5%	£1,249.30	£12.49
D	£1,681.74	12,657	18.2%	£1,490.68	£14.91
E	£2,055.46	4,809	6.9%	£1,885.98	£18.86
F	£2,429.18	2,278	3.3%	£2,275.09	£22.75
G	£2,802.90	847	1.2%	£2,625.39	£26.25
H	£3,363.48	55	0.1%	£2,446.17	£24.46
TOTALS		**69,394**	**100.0%**	**£1,270.43**	**£12.70**

5.6 The additional funding raised through council tax increases will be applied specifically to the emerging pressures in Children’s and Adults’ social care that support some of the most vulnerable members of the community.

5.7 Having considered all of the above, Cabinet is asked to recommend a 1.99% general council tax increase and a 1% Adult Social Care increase.

5.8 The MTFS now reflects all known and confirmed funding changes notified from central government in respect of the 2022/23 financial year. There is no certainty beyond the 2022/23 funding settlement and further action should only be based on the only realistic assumptions that can be made for the subsequent two years. This includes inflationary increases to core funding streams and the costs they fund as well as the removal of the use of reserves and capital receipts. There is no indication of additional funding beyond this and the wider economic position suggests this will remain the position.

5.9 Officers will continue to develop the savings plans required to mitigate the budget gap in 2023/24 in the first instance. Members should not underestimate the difficulties the council now faces in delivering the required savings and the lead in time required.

6. Remaining Considerations

6.1 The methodology for the allocation of funding to local government bodies remains under review. The Fair Funding review is expected to progress in 2022/23 but there is no revised timeline to date. As part of this it remains an assumption that separately identified ring fenced grants, such as the Public Health Grant, will be absorbed into mainstream funding. It is clear though, that any changes to allocation methodologies will be to support the national levelling up agenda.

6.2 Similarly, there is no formal clarification on proposed changes to the current business rates system. As such, the council is only able to assume inflationary uplifts to the business rates precept in the MTFS. As previously noted the introduction of this system will potentially increase the underlying level of financial risk faced by the council.

6.3 Work is ongoing in support of the Thames Freeport bid, which is intended to have a positive impact on NNDR levels into the future. The assumption for the purposes of the budget setting is that the excess income associated with the Freeport will be ring-fenced to the delivery of the associated programmes to meet the wider objective of the policy and enhance the infrastructure of the borough

7. Reserves Position

7.1 Members will be aware that, like many other authorities, the partial use of reserves was anticipated soon after the impacts (direct and indirect) of Covid-19 became clearer.

7.2 Members will be aware from previous reports that the council's reserves position has become far more resilient since 2016, as a direct result of the investment approach – a lift of 300% (£8m in 2016 to £24m at the start of the pandemic in March 2020). This included the creation of financial resilience reserves, which are planned to provide £4.684m to address pressures arising in response to the pandemic.

7.3 This has led to direct and indirect pressures and fluctuations. As such, a partial use of reserves continues to support the delivery of the 2021/22 budget. As noted above, the MTFS assumes a further use of reserves to support the delivery of the core budget in 2022/23. £3.3m is expected to be required to meet the underlying pressures but is subject to delivery of the 2021/22 position that will be confirmed at the end of the current financial year. This assumes that the £11m General Fund Balance remains intact.

7.4 Furthermore, the planned use of capital receipts continues to support wider transformation activity that will support the delivery of the savings programme and provide services that are financially sustainable in the medium term.

7.5 Members should note that the use of reserves enables a one-off stimulus. They cannot be used for sustainable spending needs and, as such, Members are reminded of the need to continue to reform services for a sustainable medium/long term cost base.

8. Capital Programme

8.1 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 2021/22 through to 2024/25.

8.2 The major projects that are included within the current programme are set out below and continue to be monitored by the Corporate Major Projects Board. Further additions will be finalised and agreed in 2022/23 in respect of the Towns Fund Programme for both Grays and Tilbury. These projects are funded by central government grant allocations and are currently at a feasibility stage. Furthermore, an outline capital programme funded from the projected retained rates income within the Freeport area is under consideration as part of the completion of the Full Business Case.

Major Projects
The widening of the A13
Purfleet Regeneration
A13 Eastbound Slip Road
Civic Estate Improvements
Grays Town Centre and Underpass
Stanford-le-Hope Interchange
Integrated Medical Centres
Improvements to parks and open spaces
New Educational facilities
The HRA Transforming Homes programme
HRA New Build Schemes
Highways infrastructure

8.3 No further funding for feasibility projects is sought for 2022/23. However as the detailed review of assets developed this will enable longer-term decisions that support an asset management strategy that aligns with the Council priorities.

9. Draft Capital Proposals

9.1 As set out above, there have been a number of schemes that can be seen as projects in their own right. These have been included at Appendix 5.

9.2 Having reviewed all of the other capital requests, they fall within one of three categories and are summarised in the table below. The amounts have been calculated using the respective bid totals and would be under the responsibility of a relevant Directorate/Board for allocation and monitoring. Funding is only committed in response to a specific need by the relevant service and is subject to finance approval. The further amounts have been assessed for the forthcoming year specifically to ensure priority work can be delivered. Subsequent years will be considered in the relevant year and in the context of the financial position at that point.

Project Pots	**Examples**	**2022/23 £m**
Service Review	These could include new systems that create efficiencies, upgrades to facilities to increase income potential and enhancements to open spaces to reduce ongoing maintenance.	2.050
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.	2.100
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, compliance work and minor enhancements.	1.100

9.3 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.

9.4 Highways are expected to receive in the region of £4m per annum whilst Education are expected to receive a further £2m in 2021/22 with further allocations for free schools.

10. Dedicated Schools Grant 2022/23

10.1 On 17 December, the Secretary of State for Education announced details of Dedicated Schools Grant (DSG) allocations for 2022/23. The tables below shows the agreed funding for Thurrock:

Dedicated Schools Grant	2021/22	2022/23	Increase
	£m	£m	£m
Schools	140.936	146.520	5.584
Central Services	1.783	1.688	(0.096)
High Needs	28.091	32.689	4.598
Early Years	12.877	10.734	(2.143)
Total	**183.688**	**191.631**	**7.943**

10.2 The autumn 2021 spending review confirmed £1.6 billion additional funding for schools and high needs, for the 2022/23 financial year, to provide support for the costs of the Health and Social Care Levy and wider costs. This funding will be allocated through the schools supplementary grant 2022/23.

10.3 The schools supplementary grant will fund in Thurrock maintained schools, academies and free schools. Thurrock's indicative allocation is £4.313m and school-level allocations will be published in spring 2022. Academies are funded directly by ESFA and are not reflected in the table above.

10.4 The High Needs additional supplementary funding, provided through the 2021 spending review, of £1.234m in respect of the Health and Social Care Levy is reflected in the table above and is part of the additional £4.598m High Needs Block increase.

Schools

10.5 Thurrock's funding formula in 2022/23 has implemented the following principles consistent with the decision made by Cabinet in December 2021:

- National Funding Formula values have been applied;
  An inflationary increase of 1.034 has been applied to the Basic Entitlement values;
- Retained growth fund has been set at £0.887m
- Schools Forum have agreed a £0.700m transfer from the Schools Block to the High Needs Block to support increase demand for Specialist placements and Education, Health and Care Plans.

High Needs

10.6 In 2022/23 High Needs Block funding has an allocation of £32.689m, an increase of £4.598m or 14%. Whilst the increase is welcome, Thurrock continues to experience high level of demand for Specialist places and Education, Health and Care Plans. The 2021/22 projected outturn is an overspend of £0.9m.

10.7 In 2022/23, the expansion of the local offer will increase commissioned numbers for the academic year to 806, an increase of 74. This reflects an increased in Treetops Free School, Primary Autism, and Secondary SEMH provision. In addition, Band values across all providers have been increased by 4.25% to reflect increased costs and inflationary pressures.

Early Years

10.8 In November, at the Spending Review, the Chancellor announced additional funding of £160m 2022/23, £180m 2023/24 and £170m 2024/25 for local authorities to increase hourly funding rates paid to childcare providers for the government's free childcare entitlements.

10.9 As a result of this, ESFA have confirmed that in 2022/23 the hourly funding rates will increase by 21p an hour for the two-year-old entitlement and by 17p an hour for the three-and-four-year-old entitlements.

10.10 In order to support settings Thurrock is to increase the funding rates paid to:
- 2 year-olds to £5.44 per hour, an increase of 21p per hour
- 3 and 4 year-olds to £4.48 per hour, an increase of 12p per hour
- Deprivation rates paid to 3 and 4 year olds, equal to a 3p per hour increase.

10.11 The complexity of the funding and continued uncertainty in early year numbers, arising from coronavirus, means it is not possible to passport the full hourly increase for three-and-four-year-old entitlement in 2022/23. However, in 2021/22 three-and-four-year-old providers did receive 2p per hour more than provided by ESFA.

Dedicated Schools Grant 2022/23 – allocation for Thurrock

10.12 On calculation of the School budget for 2022/23 the ESFA fund directly Academies, shown as Academy Recoupment. The Dedicated Schools Grant to be received by Thurrock Council in 2022/23 is shown in the table below:

Dedicated Schools Grant 2022-23	DSG	Academy Recoupment	Funding Block Transfer	Thurrock DSG
	£m	£m	£m	£m
Schools Block	146.520	(141.118)	(0.700)	4.702
Central Services Block	1.688	0.000		1.688
High Needs Block	32.689	(6.214)	0.700	27.175
Early Years Block	10.734	0.000		10.734
Dedicated Schools Grant Funding Settlement	191.631	(147.332)	0.000	44.299

Decision Required

10.13 Endorse the Early Years Funding formula for 2022/23, as shown 1.8 above.

11. Issues, Options and Analysis of Options

11.1 This report sets out the changes from the current 2021/22 budget that are proposed for 2022/23. The impact on service delivery, particularly as a result of the proposed savings targets, will be closely monitored throughout the year to ensure essential front line services are provided to the required level.

11.2 Officers recommend a maximum council tax increase as the Government's core spending power calculations and Comprehensive Spending Review will assume that the council has maximised resources from its ability to raise funding locally. The Government will not subsidise any income foregone, thus any increase applied which is lower than the maximum level will continue to impact on the council's resources in all future years.

11.3 The report also sets out the identified deficits over the three-year period of the MTFS. Members and officers will continue to work to identify further mitigating actions and carry out service review processes across a number of areas.

11.4 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 been secured, such as government grants and s106 agreements (or potentially the Community Infrastructure Levy – should such an arrangement be introduced in the future), for specific schemes;
- 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; and
- For Thurrock Regeneration Ltd schemes – these actually also fall under the 'spend to save' criteria set out above but has not been agreed over the last couple of years.

12. Reasons for Recommendation

12.1 The Council has a statutory requirement to set a balanced budget annually and to review the adequacy of its reserves. This report sets out a balanced budget for 2022/23 but relies on the use of capital receipts and general fund reserves.

12.2 The capital programme forms part of the formal budget setting in February and is an integral part of the Council's overall approach to financial planning.

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

13.1 Corporate Overview and Scrutiny Committee considered this report at their meeting on 18 January 2022. Key points noted included:

- The proposed council tax increases, specifically the element around ring-fencing the increase to social care, were supported by the committee with four members in favour and two members against;

- Concern was noted in respect of the proposed increases in the context of the wider cost of living increases.

- Acknowledgement that core services (and particularly social care) require the additional funding raised from the proposed council tax increases to address the challenge of significant additional demand in the system;

- The need to further develop capacity to enable more effective engagement with central government on the development of policy and the associated funding impacts;

- Concern regarding capacity and the ability to deliver the ambitions of the Council following the success in securing funding through Freeports (subject to acceptance of the full business case) and the Towns Funds. This will be further considered once the Levelling Up white paper is released.

- Members acknowledged the additions to the capital programme were required to be limited to essential schemes in the context of the wider MTFS position. There was a request to consider the availability of more fuel efficient vehicles in respect of the replacement fleet vehicles.

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

14.1 There are increases to frontline services where pressures have been identified in the current year that will help the council to deliver it statutory services to the most vulnerable members of the community.

14.2 Capital budgets provide the finance to meet the Corporate Priorities. If a capital project was not to proceed, this may impact, positively or negatively, on the delivery of these priorities and performance with a corresponding impact on the community.

15 Implications

15.1 Financial

Implications verified by: **Sean Clark**

Corporate Director of Resources and Place Delivery

The financial implications are set out in the body of the report and the appendices. The report sets out a balanced budget for 2022/23 on the basis that proposed funding decisions and actions to deliver savings are supported by Members.

Members should note that the actions set out do not address the underlying budgets issues in subsequent years. Further savings will be required in addition to those identified to date. Given the significant funding gaps that remain it is essential the Council supports the further measures required to create a sustainable MTFS and in a timely fashion that recognises the lead in time that significant savings require.

The financial impact of the borrowing decisions required to support the programme has been accounted for within the MTFS to date.

15.2 Legal

Implications verified by: **Gina Clarke**

Corporate Governance Lawyer and Deputy Monitoring Officer

The provisions of the Local Government Act 1992 states that local authorities are required to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council is required to set a balanced budget with regard to the advice of the Council's Section 151 Officer.

The Local Government Finance Act 1988 (Section 114) places the responsible financial officer under an obligation to make a report to Full Council 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. Also the Council's Monitoring Officer is required to report to Full Council if it appears to him that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

The Council's Constitution sets out the process for preparing draft budget proposals for each municipal year including consultation requirements. The Council is also required to comply with other consultation obligations required by statute or the common law that may apply to certain proposals being considered. The responses produced by the relevant consultations must be taken into account in finalising budget proposals.

In addition, the Council when exercising its functions must have due regard to its equalities duties under section 149 of the Equalities Act 2010.This can be achieved by considering the equalities and diversity implications at all stages of the budget setting process to ensure that budget proposals do not discriminate against any of the protected equality groups.

The setting of the budget is a function reserved to Full Council, who will consider the draft budget prepared by the Leader/Cabinet.

15.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**

Community Engagement and Project Monitoring Officer

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.

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

The council declared a Climate Emergency in 2019 through a motion at full council. The council's current investments continue to contribute towards the green agenda through supporting renewable energy schemes across the UK – notably, external advise is that one part of the portfolio generates twice the amount of energy to power the borough of Thurrock each year. Part of the budget surplus had previously been allocated to supporting climate change but, with the budget pressures the council now faces, this, along with other such allocations, has been centralised back into a general reserve to support the budget in this year and next.

16. 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):

There are various working papers retained within the finance and service sections.

17. Appendices to the report

Appendix 1 –Medium Term Financial Strategy

Appendix 2 –Full list of savings targets

Appendix 3 –Indicative Service Budget impact

Appendix 4 –Current Capital Programme Summary

Appendix 5 –New Capital Projects

Report Author

Jonathan Wilson

Assistant Director Finance

Corporate Finance

Appendix 1 - Medium Term Financial Strategy

Narrative	2022/23 £000's		2023/24 £000's		2024/25 £000's	
Net Resources						
Council Tax LA Element 1.99% Increase	(1,420)		(2,688)		(2,282)	
Increase in the Council Tax Base	(1,197)		0		0	
Adult Social Care Precept 1%	(723)		(756)		(790)	
Business Rates Position	(1,998)		(2,165)		(3,165)	
Collection Fund adjustments	517		0		0	
Government Resources Position	796		784		157	
Net Additional (Reduction) in resources		**(4,025)**		**(4,825)**		**(6,080)**
Inflation and other increases						
Pay award and legislative changes	4,603		3,685		3,769	
Other	912		980		993	
		5,515		**4,665**		**4,762**
Treasury						
Interest Costs	3,500		3,065		1,000	
Investment Income	1,972		(117)		2,368	
MRP	1,282		0		0	
		6,754		**2,948**		**3,368**
Corporate Growth						
Adults	4,150		1,500		1,500	
Children's	3,091		1,814		1,814	
		7,241		**3,314**		**3,314**
Commercial Income		**(1,089)**		**0**		**0**
Core Budget Deficit before intervention		**14,395**		**6,102**		**5,364**
Savings						
Adults' Services:	(2,264)		(652)		0	
Children's Services:	(2,859)		(651)		0	
Public Realm:	(1,707)		(722)		0	
Resources & Place Delivery:	(2,463)		(120)		0	
Housing General Fund:	(1,495)		0		0	
Strategy & Engagement:	(355)		0		0	
HR; OD and Transformation:	(275)		(80)		0	
Corporate	(1,000)		0		0	
Total Departmental Savings		**(12,418)**		**(2,225)**		**0**
General Staffing	(438)		(1,063)		0	
Cross Cutting	(1,350)		(400)		0	
Wider Funding	0		0		0	
Total General Savings		**(1,788)**		**(1,463)**		**0**
Core Budget Deficit Position		**190**		**2,415**		**5,364**
11. Other funding (not affecting baseline)						
Capital receipts 2022/23	(190)		3,490		0	
Use of reserves 2022/23	0		3,000		0	
		(190)		**6,490**		**0**
Overall Budget Working Total		**0**		**8,905**		**5,364**

Appendix 2 – Full Savings list 2022/23

Adults' Services:		
Integrated Commissioning	(322)	
Review of High Cost Supported Living Placements	(400)	
New Model of Care – Supported Living	(200)	
Implement increased Domiciliary Care Charging Immediately	(205)	
Review and reduce ASC Fieldwork establishment	(150)	
ASC Provider Services Transformation	(554)	
Public Health restructure and establishment reduction	(88)	
Public Health contribution to ASC	(200)	
Reduction of Admin Function from 6.0WTE to 5.0WTE	(48)	
Efficiencies from ending Section 75	(98)	
		(2,264)
Children's Services:		
Comprehensive Review of Education Services	(670)	
Home to School Transport	(150)	
Placements	(300)	
Review of Administration / Business Support / Commissioned services	(200)	
Commission Emergency Duty Team	(300)	
Social Workers	(1,000)	
Nursery provision – Delivery Vehicle Change	(64)	
Learning Universal Outcome	(175)	
		(2,859)
Public Realm:		
Fortnightly Collection (Non-recycled and garden waste)	(322)	
Commercial Waste	(50)	
Bulky Waste	(20)	
Counter Fraud Commercial Income	(500)	
Commercially Trade CCTV Capability	(100)	
Introduce Pay & Display in some green-space Car Parks	(100)	
Commercial Grounds Maintenance Contracts	(150)	
Council vehicles to be parked in the Depot overnight to reduce fuel costs	(21)	
Cemetery Open Hours	(19)	
Off- hire long term hire vehicles (not Covid related)	(48)	
Increase Street works permitting income	(8)	
Ceased Everbridge contract	(4)	
Keep Britain Tidy - Street Cleanliness Assessments	(15)	
Parking enforcement net income	(150)	
		(1,507)
Resources & Place Delivery:		
Targeted Staff Reductions	(63)	
Capitalisation	(1,400)	
MRP and Treasury	(500)	
Top Slice Grants	(500)	
		(2,463)
Housing General Fund:		
Reduce Private Sector TA with in borough provision	(1,495)	
		(1,495)
Strategy & Engagement:		

Continuing limited face to face offer	(200)	
Review of PQBS team structure	(45)	
Review of advertising & publicity, look to use more online platforms	(25)	
Operational & Finance support for High House Production Park	(85)	
		(355)
HR; OD and Transformation:		
Training	(75)	
Members Enquiries	0	
IT	(50)	
Capitalisation	(100)	
Centralisation	(50)	
		(275)
Corporate		
Adjustment to baseline pay	(1,000)	
		(1,000)
Other Decisions within Council Control		
Major Route/Weekend Cleaning Efficiencies	(100)	
Grounds Maintenance Efficiencies	(100)	
		(200)
Total Departmental Savings		**(12,418)**
10. General Staffing		
Digital Efficacy Review Further 25 Staff by mid 2022/23	(438)	
		(438)
11. Cross Cutting		
Stationery/postage reduction	(50)	
Review of non-essential spend (subscriptions/project work/professional fees)	(100)	
Efficiencies & process automation (linked to digital offer)	(100)	
Additional General Costs - following DB	(250)	
Asset Rationalisation - reduced to £850k 4/10/21	(850)	
		(1,350)
Total Savings		**(14,206)**

Appendix 3 – Indicative Directorate budget impact

Directorate	Current 2021/22 Budget	Removal of one-off funding	Net resources	Inflation & Other Increases	Corporate Growth	Treasury	Commercial Income	Savings allocation	Capital Receipts 2022/23	Budget re-base	Cash envelope 2022/23
Adults; Housing and Health	47,329	(703)	(442)	874	4,150	0	0	(2,402)	0	0	48,806
Central Financing	(117,370)		(6,799)	0	0	0	0	0	0	1	(124,168)
Children's Services	42,064	(342)	(1,737)	1,087	3,091	0	0	(3,034)	0	55	41,183
Housing General Fund	1,988	(170)	0	93	0	0	0	(1,522)	0	(0)	389
HR; OD and Transformation	8,906		0	386	0	0	0	(618)	0	0	8,674
Public Health	203	(203)	0	0	0	0	0	0	0	0	0
Public Realm	35,387	(125)	0	1,749	0	0	0	(1,852)	0	(52)	35,107
Resources & Place Delivery	16,727	(610)	0	563	0	0	0	(2,910)	0	295	14,065
Strategy; Engagement & Growth	3,791		0	215	0	0	0	(449)	0	(0)	3,557
Treasury & Corporate costs	(39,025)	2,153	4,953	549	0	6,754	(1,089)	(1,418)	(190)	(299)	(27,612)
Grand Total	**0**	**0**	**(4,025)**	**5,515**	**7,241**	**6,754**	**(1,089)**	**(14,206)**	**(190)**	**0**	**0**

Appendix 4

Summary of Capital Programme

Current Capital Programme

Directorate ID	Total Budget 2021/22 £'000	Total Budget 2022/23 £'000	Total Budget 2023/24 £'000	Total Budget 2024/25 £'000
Adults; Housing and Health	3,056	7,047	3,500	0
Chief Executive's Office	7,000	0	0	0
Commercial Services	18	0	0	0
Children's Services	5,064	9,411	7,000	0
HR; OD and Transformation	18,329	9,170	200	0
Public Realm	24,380	10,648	16,213	23,625
Resources & Place Delivery	59,444	30,524	24,484	10,300
Strategy; Engagement & Growth	304	63	0	0
Housing HRA	54,775	7,904	0	0
Total	**172,370**	**74,767**	**51,397**	**33,925**

Appendix 5 New Capital Projects

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
Fleet vehicle replacement	Julie Rogers	To tender for the replacement of vehicles purchased from 2015-2017 as part of the vehicle replacement programme. All vehicles are put on either a 5 or 7 year renewal programme dependent of cost and operation. There are 8 Kubota F3890 ride on mowers due for renewal under the 5 year plan, purchased in June 2017 and reaching end of life they are now becoming uneconomical to repair due to the nature of their work and amassing vehicle downtime. Costs associated are approximately £21,000 per machine (£168,000) and will be phased over 5 years. There is also a requirement to purchase seven vehicles for housing caretakers to replace their current fleet vehicles that are again at the end of their 5 year planned replacement programme these include Medium vans, 3.5 and 5t tippers that are used to carry out their frontline operations. These will be specified in line with user requirements and with due consultation with the user. Cost associated with this are approximately £200,000 total. Adult social care also have 5 vehicles due replacement that are used for transporting clients to and from care facilities. These vehicles are 7 years old in 2022 and again are at the end of their replacement cycle. Estimated costs for renewal are approximately £310,000. Please note at the time of replacement diesel fuelled vehicles are the only option as zero emission vehicles are understood as	678,000	168,000	510,000	-

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
		either not available in this class or at infant stage with associated costs.				
1934 Fort Road Tilbury - Bridge repairs	Julie Rogers	Fort Road bridge is a strategically important highway asset in Tilbury which provides key linkages over the C2C Fenchurch Line for HGV movements to and from EMR Metal recycling and also Goshems Farm. Following a recent Special Inspection it has been found to be showing significant failures in key elements. The structure is in a critical condition and needs key maintenance repairs undertaken to ensure durability of the structure and to future proof it. However due to the position of the structure over the railway line and the potential type of repair methods needed, it is likely to require significant works. Failure to action the issues will lead to high probability of failures of structures and/or long closures of strategic link and places the Authority at risk of claims. The proposal is commence design work and liaison with Network repair works. Aims of the project are to repair structure to ensure no liability going forward and allowing key HGV movement over the structure without diverting through East Tilbury or West Tilbury. Temporary closures will be required to facilitate the repairs however but this will managed to ensure they are kept to minimum.	785,000	85,000	700,000	-

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
Junction 31 Electrical Repairs	Julie Rogers	Junction 31 (M25/A1306 interchange) is part of Thurrock adopted Highway Network, as are the assets within it. National Highways have no legal obligation or requirement to maintain J31. The existing infrastructure for the assets consist of approximately 1km of cabling and houses approximately 100 street lighting assets and the associated cabling network which provides lighting for all roads users, including pedestrians and cyclists on the northern, eastern and western sides. This junction has a long history of faults associated with failing infrastructure which pre-dates any records we hold for the assets. These range from an 'all out' which means a significant proportion of assets out to individual cable faults. The faults are generally down to condition and age of the cabling network and damage caused by other works completed over the years and are now a significant safety risk. Faults are typically expensive to rectify and having an impact on the revenue budget. With faults costing in the range £1500-£3000, due to complexities of the site and requirements for traffic management. The latest repair being £16k. Therefore the proposal is the renewal and overhaul of all the associated street lighting assets.	510,000	170,000	170,000	170,000

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
Orchard Footbridge renewal	Julie Rogers	Orchard Road footbridge is a strategically important highway asset in South Ockendon which provides key linkages over the C2C Fenchurch Line for pedestrians connecting two conurbations. Following a recent Principle Inspection it has been found to be showing significant failures in the supporting elements. The structure is in a critical condition and needs to be either refurbished or replaced. However due to the position of the structure over the railway line and the potential type of repair methods needed, it is considered better to replace the structure or parts of as refurbishing will incur significant risk and cost. Failure to action the issues will lead to high probability of failures of structures and/or long closures of strategic link and places the Authority at risk of claims. The proposal is commence advance design work and liaison with Network on a preferred options and then onto implementation. Aims of the project are: 1. to provide a cost effective structure which reduces long term maintenance liabilities associated with Network Rail land 2. a structure which significantly improves ASBO concerns 3. improved connectivity for all vulnerable road users	645,000	85,000	560,000	-

Project	Director	Project Ambition	Total Value	2022/23	2023/24	2024/25
Corporate Landlord's Maintenance Program	Sean Clark	Thurrock Council has a legal responsibility for a number of properties used by the council for direct service provisions and, in some cases, for properties that are leased out. This bid reflects the necessary works required over the next three years to meet those obligations.	1,925,000	1,100,000	825,000	-