

14 March 2018		ITEM: 12 Decision 0110467
Cabinet		
Revenue Budget Monitoring – Quarter 3 December 2017		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance		
Accountable Assistant Director: Not Applicable		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is public		

Executive Summary

This report presents the forecast outturn position for 2017/18 as at the end of December 2017. The approach to budget management has been reviewed in order to focus attention on high risk areas and introduce a level of self service for smaller lower risk budget areas. Monitoring is structured around the key focus areas – employee spend, income, high risk demand led budgets and delivery of the agreed savings programme.

As at the end of December 2017, current projections indicate a General Fund pressure of £0.223m that must be managed in order to outturn within budget by the 31 March 2018. Identified pressures include Children’s Social Care and Environment primarily due to increasing waste disposal costs. Whilst this forecast shows a projected deficit, officers are confident that continuing action will keep the budget within the agreed budget envelope.

The DSG is forecasting pressures within the High Needs Block but steps are being taken to review the position within the DSG with the service and the Schools Forum in order to address these pressures. The HRA is forecasting a breakeven position.

1 Recommendations:

- 1.1 That Cabinet note the forecast outturn position for 2017/18 and that further mitigation is required to outturn within the agreed budget envelope**

2 Introduction and Background

- 2.1 In February 2017, Council agreed the overall General Fund and HRA budgets. The General Fund budget included savings of £6.896m which were identified as part of the Council Spending Review through the Strategic and Transformation Board process.
- 2.2 The report sets out the latest forecast outturn position for 2017/18. The approach to budget management has been reviewed in order to focus attention on high risk areas and introduce a level of self service for smaller lower risk budget areas. Monitoring is structured around the key focus areas – employee spend, income, high risk demand led budgets and delivery of the agreed savings programme.
- 2.3 As well as reporting on the position for the General Fund and HRA, the monitor also includes the position of the DSG and Public Health grant.

General Fund Position by Directorate	Full Year Budget £000	Forecast £000	Variance From Budget £000
Adults, Housing & Health	36,215	36,178	(37)
Housing General Fund	2,179	2,179	0
Children's Services	36,796	38,586	1,790
Environment & Highways	22,565	23,111	546
Place	5,502	5,334	(168)
Finance & IT	9,166	8,569	(597)
HROD	4,465	4,085	(380)
Strategy, Comms & Customer Services	2,597	2,437	(160)
Legal Services	857	971	114
Commercial Services	561	513	(48)
Central Expenses	(7,557)	(8,394)	(837)
Total	113,346	113,569	223

3 General Fund Position

Adults, Housing & Health - £0.037m underspend

- 3.1 The Adult Social Care forecast position reflects the funding raised through the Adult Social Care precept, the 2017/18 Adult Social Care support grant, and the allocation of Improved Better Care Fund monies for 2017/18. The position should be viewed in the context of well publicised demand pressures across the Adult Social care sector, and the ongoing financial pressures within the Directorate.
- 3.2 One of the major contributing factors to the issues faced within Adult Social Care is the fragility of the domiciliary care market. Despite extra funding being invested into services to strengthen the Domiciliary Homecare market, this area remains under considerable pressure. Several homecare contracts have been handed back to the Council by external service providers within the last 20 months. A further contract was handed back in October due to economic reasons, and whilst the number of hours were comparatively low, it is another pressure on the Councils already stretched internal homecare provision, and demonstrates that external providers are still struggling to meet demand within the current financial constraints.
- 3.3 Central government continues to have the reduction in delayed transfers of care from hospitals (DTCOs) as one of their key objectives, and the domiciliary care market is intrinsically linked to this. This is also one of the main performance indicators contained within the Better Care Fund, and has implications for future funding. Capacity within the market is an ongoing issue and a recruitment and retendering process is on-going.
- 3.4 Demand for residential placements especially for those with Learning Disabilities, autism and challenging behaviours adds additional budget pressures. This is a very volatile area of the budget and deals with a cohort of people with varying levels of complex needs, the packages are based on the individual care needs and outcomes and therefore can be very expensive and in many cases require additional levels of 1:1 support at an additional cost to the service.
- 3.5 Adult Social Care has largely been able to mitigate these pressures in 2017/18 by utilising £0.410m of the one-off Adult Social Care support grant. Demand and complexity of cases remains a key issue going in to 2018/19 and this will need to be addressed in the budget setting process.
- 3.6 The Directorate has a good process in place for identifying upcoming placements and planning appropriate provision but the risk remains and the potential impact of these placements needs to be considered with regards to the demand led nature of the business. Packages are being reviewed and renegotiated where possible and Continuing Healthcare Funding allocated against eligible cases to reduce the impact on the Local Authority's budgets.
- 3.7 Income towards all placements continues to be a potential budget risk due to the constant reassessment of clients' financial situations and their ability to

contribute towards their care packages. This continues to be closely monitored.

- 3.8 It should be noted that Winter Pressures can often put extra demands on Adult Social Care services and the directorate are working closely with Health colleagues to ensure best use of funds pooled within the Better Care Fund, both existing and new funding streams.

Housing General Fund - Breakeven

- 3.9 The service is forecasting a breakeven position. In 2017/18 the Homelessness function received £0.306m by way of the Flexible Homelessness Support Grant. Part of this has been used to offset the reduction in subsidy from the DWP for those in Temporary Accommodation. Without receipt of the Grant in 2017/18 there would be a forecast overspend of £0.177m on Homelessness. The Grant mitigates this overspend with any remainder being earmarked for preventative initiatives.
- 3.10 The number of households in temporary accommodation is shown below and stood at 121 in September. This is part of an overall reducing trend across the year. There is a potential risk within Travellers that continues to be monitored and is offset by a forecast underspend in Private Sector Housing.

Homelessness Placements	April	May	June	July	Aug	Sept	Oct	Nov	Dec
B&B (Hotels)	25	24	6	7	5	9	6	5	9
Hostels	24	29	29	23	24	30	29	32	32
Private Lettings (Nightly Lets)	44	48	47	49	49	37	33	31	34
Furnished Lets (Council Stock)	38	37	48	39	34	41	45	50	49
Refuge	5	5	5	5	6	4	3	5	4
Total	136	143	135	123	118	121	116	123	128

Children's Services – £1.790m overspend

- 3.11 The Directorate is forecasting an overspend primarily due to pressures within social care, however, this is partially offset by underspends in Education.
- 3.12 Work continues to manage pressures within social care, however, pressure on placement budgets has increased due a small number of high cost complex placements. This underlying volatility is difficult to manage, however, the Directorate has a programme of work to reduce expenditure including the recommissioning, of placement provision, changes to accommodation in Aftercare and the continued reduction in agency staff. Recruitment delays within social care have contributed to the pressure, however, holding vacancies within the Education budgets is supporting mitigation within the Directorate.

3.13 The main social care pressures are set out below:

Children's Social Care Pressures	£m
Staffing (inc Agency)	0.471
Legal Costs/Support (complex cases)	0.291
Loss of CCG contribution	0.350
Placements	0.811
Aftercare (over 18s)	0.200
Children with disabilities	0.271
Adoption & Fostering	0.222
Total	2.616

3.14 The Corporate Director continues to review high cost residential and fostering placement costs on a monthly basis and where safe to do so are reduced as the service focuses on achieving better value and more appropriate placements for young people. Overall, high cost placement numbers continue to show a reducing trend, however, the changing mix of placement type can impact the forecast position. In the second half of the year there have been a small number of very high cost complex needs cases that have added to the pressure on the services budget. This will have an ongoing impact on the social care position.

3.15 Work continues to manage spend within the aftercare placement budget with action taken to review placements when children reach 18. Individual placement costs have reduced, however, there have been delays in reviewing all placements and finding suitable accommodation. Systems are in place to ensure that a robust response is maintained so that future expenditure can be contained.

3.16 Forecasts indicate that spend on unaccompanied asylum seeking children will not cause a budget pressure this year. This follows continuing reductions after the introduction of the Eastern Regional Protocol. At the existing rate of reduction we anticipate being close to our threshold rate of 28 by the end of the year.

3.17 Pressure on legal budgets is due to the volume and complexity of cases, especially in terms of multiple sibling families. However, reductions in agency lawyers has improved the forecast position. Similarly, action to permanently recruit staff and reduce agency staff levels has improved the position on the Directorates staffing budget.

- 3.18 Education transport forecasts are based on planned work as a part of a service review and a reduction in discretionary awards. Work continues to manage the awards of transport such as adding additional authorisation and providing training for staff. It is important to note that the work in year should support reductions in expenditure next year by simplifying the decision making process and ensuring this is robust and consistent.
- 3.19 Finally, with the CCG withdrawing block funding of financial support towards those high cost placements with complex needs and moving instead to a case by case funding basis, the service has seen a substantial reduction in funding. Discussions continue to explore this further.

Environment & Highways - £0.546m overspend

- 3.20 The Environment & Highways Directorate is forecasting an overspend with the pressure primarily within the Environment service. The most significant pressure is within waste disposal due to additional contract extension costs and a higher cost of disposal due to increasing waste tonnages and reduced recycling.
- 3.21 There are further financial risks within the Directorate which are not currently recognised within this forecast and are being managed by the service. However, may result in additional pressure. This includes the level of spend at the Household Waste Recycling Centre (HWRC) now that it is back in-house and potential further pressures in waste collection and disposal costs depending on tonnage levels. It is important to note that any additional cost regarding the HWRC would have been incurred whether or not this was brought back in house due to there being no external interest in this contract. The service is doing all they can to mitigate such risks including the redevelopment of the site with the introduction of a commercial trade waste service and the introduction of a permitting scheme to reduce trade waste entering the site and therefore decrease disposal costs. The permitting scheme is due to commence in February 2018. As an interim measure following enforcement activity at the site, increased security has been deployed until the permitting scheme is implemented and embedded, adding temporary additional cost, not previously budgeted for. Waste disposal contracts have been re-procured and as anticipated, due to national trends, resulted in increased costs.
- 3.22 Aging vehicles working beyond their life expectancy pose a potential financial risk, this year has seen an increase in vehicle hire to ensure service continuity and the success of route optimisation. 28 new waste vehicles have been procured and are due to be rolled out in March 2018. The winter gritting season has passed with demand for gritting increased on previous years, whilst there hasn't been significant snow fall, there has been a higher than previous years number of frosts which has required road treatment.
- 3.23 The waste service has been under increasing pressure given the level of demographic growth within the borough, and future growth aspirations will only add to waste collection and disposal requirements. The longer term

financial risk this poses will need to be reviewed in order to inform the MTFS and future funding requirements.

Place - £0.168m underspend

- 3.24 The Directorate is forecasting an underspend. Analysis of rental income indicates pressure within the property service from one-off backdated rent received in the last financial year. Mitigating action to address this includes restraining spend and reviewing building maintenance to focus on essential health and safety requirements. Current projections indicate an underspend within regeneration mainly due to improved income expectations from the Theatre and a small surplus being forecast within Planning based on expected planning applications.
- 3.25 A further financial risk within Planning and Growth is a possible Class Action regarding planning fees, estimated at £0.180m. This follows the introduction of legislation that means applicants can demand the return of fees if the Council determined historic applications over time, without agreed extensions of time.

Finance & IT - £0.597m underspend

- 3.26 The Directorate is forecasting to underspend primarily due to savings within ICT and an underspend within Electoral Services due to there not being a local election in 2017/18, though this is in part set off against the cost of the by-election now called. There is ongoing risk to this position due to pressure on employee spend due to agency staff covering vacant posts and providing much needed capacity. There is also risk to the delivery of savings targets, most notably postage within Revenues and Benefits.

HROD – £0.380m underspend

- 3.27 The Directorate is forecasting an underspend position. Pressures arising from additional resource requirements for General Data Protection Regulation (GDPR), Transformation and HR are currently expected to be absorbed or covered by additional income generation.
- 3.28 A provision for a pay claim has also been reduced based on current estimates and recharges.

Strategy, Communications & Customer Services – £0.160m underspend

- 3.29 The service is forecasting an underspend. Additional costs in respect of maternity cover and new schools software is being offset by holding vacancies.

Legal Services – £0.114m overspend

- 3.30 The service is forecasting an overspend position due to pressures on income budgets. Income and staffing projections continue to be reviewed as they represent the main risk to delivering the forecast outturn.

Commercial Services – £0.048m underspend

- 3.31 The service continues to operate within budget with a small underspend due to holding vacancies whilst undergoing recruitment earlier in the year. Good progress is being made on the overpayment recovery project.

Central Expenses - £0.837m underspend

- 3.32 This budget covers a number of corporate expenditure items including treasury management costs (interest paid on loans and received from investments), the annual contribution to the Essex Pension Fund to meet the current actuarial deficit and the allocation for the Minimum Revenue Provision. The Directorate is forecasting to underspend primarily due to an improved treasury position.
- 3.33 In consultation with the council's external auditors, an agreement was reached on the accounting treatment on an advanced payment to the pension fund that resulted in a £0.106m saving. However, this is partially offset by an increase in the levy charged to Thurrock for the Coroners Court after Essex Police pulled out of the funding agreement.
- 3.34 There is an ongoing pressure from families with no recourse to public funds who have no legal status. Work is ongoing with the Home Office to enable a member of their staff to be seconded to Thurrock so that applications to remain can be processed more quickly.

4 Housing Revenue Account

	Full Year Budget £000	Forecast £000	Variance from Budget £000
Repairs and Maintenance	10,510	11,280	770
Housing Operations	12,291	11,171	(1,120)
Financing and Recharges	25,276	25,626	350
Rent and Income	(48,430)	(48,430)	0
Development	353	353	0
Total	0	0	0

- 4.1 As at the end of December the HRA is forecasting a breakeven position. Pressures within Repairs & Maintenance are due to contractual obligations, health and safety works and compliancy work which are being offset by holding posts vacant within Housing Operations. Income is expected to be on budget. The collection rate at the end of December 2017 is 97.8% against a profiled target of 96%. Actual Leaseholder service charge bills for 2016/17 were issued at the end of September 2017.

- 4.2 The HRA Budgets for 2017/18 were revised with effect from Period 6 to reflect the extension of sheltered and other service charges from 2nd November 2017, increasing revenue during this financial year by £0.312m (£0.132m from General Need's tenants and £0.180m from Sheltered). This income partially mitigates the revenue repairs base budget pressure and the budget in this area has been increased. The Council's decision to suspend the introduction of a Grounds Maintenance charge has reduced this potential increase by £0.845m. This continues to limit the amount of capital investment this year, specifically on loft insulation for properties in the Transforming Homes programme and on the external refurbishment of properties with non-traditional construction. None of this expenditure is being or has been previously forecast. The service will work within the constraints of the budget to achieve a balanced outturn for responsive repairs and all other revenue budgets.
- 4.3 The Grenfell Tower fire has resulted in some additional spending on fire safety measures, the total impact of which is £0.745m in 2017/18 to date across revenue spend. A further contingency a total of £0.255m is currently set aside. There is a possibility of larger spending items being required, in particular the retro-fitting of sprinkler systems in all blocks, which may be a potential outcome of the review into the Grenfell fire.

5 Public Health

- 5.1 The Public Health grant received a 3% budget reduction in 2017/18 which equated to £0.286m. The team have worked hard to manage statutory services in the most efficient way, most notably through the re-procurement of the Healthy Families Programme (previously known as 0-19) and other commissioned services.
- 5.2 An element of the Drug and Alcohol service is demand-led and the Public Health team have entered in to a risk sharing agreement with providers to help manage this financial pressure.
- 5.3 Services for sexual health have ongoing issues with cross charging between local authorities. Steps have been taken to make this primarily a provider responsibility and to share the financial risks. However, there is still potential for Thurrock to face legal challenges related to historical claims.
- 5.4 An element of the grant is being paid to deliver the Thurrock Healthy Lifestyle Service which was recently brought back in-house and it is expected this will lead to efficiencies within the service.
- 5.5 Projections continue to indicate a carry forward of £0.345m which is committed towards the 2018/19 programme. This will be carried forward as part of the ringfence to help offset further reductions to the grant in 2018/19, which has now been confirmed as £11.042m.
- 5.6 Expenditure has increased in year to trial a diabetes pilot for the last quarter of the financial year.

Public Health	£000
2017/18 grant allocation	(11,333)
2016/17 carry forward	(424)
Estimated 2017/18 spend	11,412
Funding committed to 2018/19 programme	(345)

6 Dedicated Schools Grant (DSG)

6.1 Current projections indicate pressure of £2.355m within the DSG.

6.2 The total allocation for 2017/18 is £145.550m prior to recoupment and £55.120m after recoupment. Therefore, against the £55.120m the council receives, the latest monitoring is forecasting an in-year pressure of £2.355m mainly within the high needs block (HNB). This funding supports provision for pupils and students with special educational needs and disabilities (SEND) from their early years to 25 year of age.

	Budget £000	Recoupmen t £000	Total £000	Forecast £000	Variance £000
Schools Block	112,570	87,040	25,530	25,806	276
High Needs Block	21,750	3,390	18,360	21,430	3,070
Early Years Block	11,230	0	11,230	10,239	(991)
Total	145,550	90,430	55,120	57,475	2,355

6.3 The sub working group from Schools' Forum has been established with representatives from the Forum and officers from the Council. The group has met four times and reviewed expenditure and budget pressure areas from 2016/17, including statutory returns and statistical benchmarking data analysis to assist in the DSG Recovery Plan. The 2016/17 deficit of £1.3m will be recovered via "top-slicing" the DSG allocation for 2018/19, and utilising underspends from the Early Years block for this financial year (2017/18). The 2018/19 deficit will be recovered through further top slices in 2019/20 and 2020/21 as well as virements from other blocks. A model is being designed to control high needs expenditure via a "Capping system" but working in collaboration with schools and colleges.

7 Employee Spend

7.1 At the end of Quarter 3, projections indicate an underspend of £0.288m on Employee budgets.

- 7.2 Pressures within Children's Services and Environment & Highways are being offset by underspends across all other Directorates. The position forms part of the reported position earlier within this report.
- 7.3 Managing spend on agency staff continues to be a focus for officers with alternative options considered where possible. Projected spend on agency is broadly contained within underspends on permanent staff budgets.

Employee Spend by Directorate	Full Year Budget	Permanent Staff Forecast	Agency Staff Forecast	Total Forecast	Variance From Budget
	£000	£000	£000	£000	£000
Adults, Housing & Health	15,941	14,107	1,626	15,733	(208)
Housing GF	983	721	102	823	(160)
Children's Services	23,109	19,387	4,193	23,580	471
Environment & Highways	10,324	9,216	1,437	10,653	329
Place	6,538	6,034	242	6,276	(262)
Finance & IT	8,071	7,508	343	7,851	(220)
HROD	4,406	4,148	71	4,219	(187)
Strategy, Comms & Customer Services	3,210	3,072	124	3,196	(14)
Legal Services	1,379	653	761	1,414	35
Commercial Services	713	598	43	641	(72)
TOTAL	74,674	65,444	8,942	74,386	(288)

8 External Income

- 8.1 As at the end of Quarter 3, the full year forecast for external income is a £0.017m surplus.
- 8.2 The shortfall is primarily within Children's Services. This is due to projected shortfalls on crèche income within the nursery service and reduced income expectations at Grangewaters. However, both services are expected to recover their costs through income generation and are reporting balanced positions overall due to reduced expenditure projections compensating the pressure on income.

- 8.3 The Place Directorate is projecting an overachievement on income due to improved positions within both the theatre and public protection. There is a small net income pressure within Environment and Highways due to pressure on highways maintenance and parking income based on current trends. In order to manage the wider strategic ambitions for Parking and Highways Maintenance they are incorporated as part of the Cross Cutting Transport Service Review that commenced in January 2018.

Directorate	Last Year Outturn 16/17 £000	Full Year Budget 17/18 £000	Forecast Outturn 17/18 £000	Budget Variance 17/18 £000
Adults	(384)	(336)	(350)	(14)
Children's	(940)	(1,182)	(1,011)	171
Environment & Highways	(1,522)	(1,899)	(1,871)	28
Place	(3,266)	(2,695)	(2,932)	(237)
Housing GF	(153)	(377)	(341)	36
Finance & IT	(3)	(1)	(2)	(1)
Total	(6,268)	(6,490)	(6,507)	(17)

9 Reasons for Recommendation

- 9.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2017/18 along with actions to mitigate these pressures and deliver a breakeven position.

10 Consultation (including Overview and Scrutiny, if applicable)

- 10.1 This report is based on consultation with the services, Directors' Board and portfolio holders.

11 Impact on corporate policies, priorities, performance and community impact

- 11.1 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. 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.

12 Implications

12.1 Financial

Implications verified by: **Carl Tomlinson**
Finance Manager

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.

12.2 Legal

Implications verified by: **David Lawson**
Assistant Director of Law & Governance

There are no direct legal implications arising from this 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.

12.3 Diversity and Equality

Implications verified by: **Becky Price**
Community Development and Equalities

There are no specific diversity and equalities implications as part of this report.

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

There are no other implications arising directly from this update report.

13 **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.

14 **Appendices to the report**

- None

Report Author:

Carl Tomlinson
Finance Manager