

11 January 2017		ITEM: 12 (Decision 01104401)
Cabinet		
Draft General Fund Budget 2017/18		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance & Legal		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is public		

Executive Summary

This report sets out the draft budget proposals for a balanced budget for the financial year 2017/18.

Cabinet considered a report on 7 September 2016 that amended the Medium Term Financial Strategy (MTFS) in light of changes to business rates and inflation assumptions. This demonstrated a base budget pressure of circa £10m and this increased by a further £0.420m through recommending a phased increase to the General Fund balance.

Cabinet has also agreed a pilot in 2016 of the Clean It, Cut It, Fill It initiative and, at their meeting on 14 December 2016, agreed an extension to the end of this financial year. The draft report includes £1m to mainstream this initiative into the base budget from 1 April 2017.

The September 2016 report also set out the Council Spending Review (CSR) approach – a move towards commercialism and greater efficiencies through four main streams: income generation; more or same for less; reducing the MTFS growth through greater demand management; and a comprehensive service review over a two to three year time period of all council services.

This approach has been managed through a number of Boards and the proposals, set out in this report, have been considered by the relevant Overview and Scrutiny Committees over recent weeks.

This report demonstrates that, subject to a number of assumptions set out in the report, a balanced budget has been achieved.

Finally, the report makes recommendations regarding the Adult Social Care Precept and Support Grant.

1 Recommendation(s)

- 1.1 That Cabinet agree to a further £1m investment to include Clean It, Cut It, Fill It into the Base Budget;**
- 1.2 That Cabinet agree to a 1.98% increase to the Council Tax to support the General Fund budget;**
- 1.3 That Corporate Overview and Scrutiny be asked to comment on the Adult Social Care precept options as set out in 3.6 of this report; and**
- 1.4 That Cabinet agree to the proposals set out in this report to achieve a balanced budget.**

2 Introduction and Background

- 2.1 The approach to achieving a balanced budget for 2017/18 and the medium term was first presented to Cabinet on 7 September 2016 and has subsequently been reported to the various Overview and Scrutiny Committees.
- 2.2 In summary, the approach has been, and continues to be, a focus on:
 - Income generation – including increasing the Council’s commercial trading base. Council Tax increases also fall under this category;
 - Achieving more / same for less – including further transformational projects, contract reviews, spend to save initiatives and alternative delivery models; and
 - Demand management / early intervention. Examples include the Local Area Co-ordinators and Community Hubs.
- 2.3 This has been delivered through the following Boards, each chaired by a member of the Directors’ Board, with each Board consisting of a cross section of service representatives:

Customer Service & Demand Management	Commercial
ICT / Digital	People
Procurement	Property

- 2.4 In addition, there is a comprehensive programme of service reviews that are underpinned by the following principles.
 - Becoming financially self-sustainable;
 - Maximise efficiency in each service;

- A review of all services by March 2019 using common design principles (customer / demand management, commercial, ICT / digital, people, procurement, property and process);
- Non-statutory income generating services should be cost neutral; and
- Outcome focused including consideration of prevention and early intervention.

3 Provisional Grant Announcement and Council Tax

- 3.1 Thurrock Council signed up to the four year grant settlement that was announced in December 2015. Whilst not guaranteeing exact amounts, the settlement did give some greater indication of the likely Revenue Support Grant for the period 2017/18 through to 2019/20. However, there are a number of other specific grants that impact on the General Fund, including the Education Support Grant and Housing Benefit Administration Grant, totalling some £1.62m in 2016/17, that have been reducing in recent years.
- 3.2 Changes have been made to the New Homes Bonus to support Adult Social Care financial pressures. Although this was expected over the medium term, a transfer of resources was not expected in 2017/18. However, the government has redirected £241m from the NHB national pot in 2017/18 and this has been distributed to top tier authorities in line with the adult social care relative needs formula in way of an Adult Social Care Support Grant. Cabinet should note that this grant is for 2017/18 only.
- 3.3 Further reductions have been proposed to the NHB for future years as the government looks to transfer further funding into the Better Care Fund (BCF) to support Adult Social Care pressures. Whilst the council will gain funding for ASC through this change, the funding will be ring-fenced for this purpose and non-specific grant will be reduced adding pressures to the council's wider general fund budget.
- 3.4 The general council tax increase has, as expected, been capped at 2% and the Cabinet are asked to support the maximum increase allowed that, when rounded, equates to a 1.98% increase.
- 3.5 The ability to raise an Adult Social Care precept was introduced for the 2016/17 financial year. At the time, the increase was limited to 2% in any one year and only the four years 2016/17 to 2019/20.
- 3.6 For the remaining three years, councils have now been given further options. Whilst there can be no increase greater than the 6% over the remaining three years, councils have been given the option of bringing forward increases from the final year to both 2017/18 and 2018/19 although there is a cap of 3% on both of these years. As such, the following are the most likely options:
- 3.6.1 A 3% increase in both 2017/18 and 2018/19 and no increase in 2019/20; or
- 3.6.2 A 3% increase in 2017/18, 2% in 2018/19 and 1% in 2019/20; or

3.6.3 A 2% increase for each of the three years.

3.7 It is recommended that Corporate Overview and Scrutiny Committee consider these options in a more detailed paper in advance of the February Cabinet and Council meetings.

4 Adult Social Care

4.1 Previous budget reports justified the 2016/17 Adult Social Care precept in 2016/17 through the impact of the national minimum wage and increase in complex demand such as autism and dementia. Despite this additional funding, budget update reports in 2016/17 have highlighted increased pressures during this financial year, including market failure and the subsequent need to bring some service provision back in-house.

4.2 As set out above, the ability to raise council tax by 3% and the Adult Social Care Support Grant will increase the resources available to meet these pressures. The Corporate Director of Adults, Housing and Health has set out the following as the justification for the ASC precept increase of 3% (2.99% when rounded) that, together with the ASC Support Grant, will go towards meeting the immediate pressures:

Original 3 year MTFS savings	£ 750k
Procurement / demand management	£ 100k
Demographic pressures – older people, learning disabilities, mental health and transitions	£ 1,032 – this is based on detailed analysis of trends, transition and population assumptions. I have made assumptions that 50% can be managed through our demand management programme (Shared Lives, LACs etc)
Cost pressures – National Living Wage principally within external providers and domiciliary care basic rate.	£ 745k – based on estimated 5% uplift that providers will face with NLW increase next year and an allowance for increase in basic rate for domiciliary care (NB only half year)
Total	£2,627k

Proposed Funding Sources

Adult Social Care precept (assumes 3% at this stage)	£ 1,700k
Adult Social Care Support Grant	£ 657k
Total	£2,357k
Shortfall	£ 270k
Further options being explored:	
<ul style="list-style-type: none"> • Further demand management • Including Higher level of DLA / PIP /AA in the income assessment of service users 	

5 Draft 2017/18 Balanced Budget and Assumptions

5.1 The following table summarises the proposals that are recommended to meet the original budget gap of circa £10m but also the increased budget requirements of increasing the General Fund Balance and including the Clean It, Cut It, Fill It initiative within the base budget.

5.2 Points to note include:

5.2.1 That there will be a general increase in council tax of 1.99%;

5.2.2 That there will be an increase in the ASC precept of 2.99% with the income raised of £1.7m, along with the ASC Support Grant, being allocated to the ASC budget; and

5.2.3 That the original assumptions on government grant remain correct – at the time of writing, not all grants have been announced but indications are that the MTFS assumptions are broadly correct.

	2017/18	
	£000s	
Opening Estimated Deficit	9,976	
Base budget pressure 2016/17	206	
Future savings agreed during 2014/15	(2,484)	
Children's full year savings from 2016/17 mitigation	(1,200)	
Council Tax base adjustment	(590)	This relates to the increase in Band D properties – a council tax increase of 3.99% is included in the opening balance
Reduction to employment budget growth	(200)	A reduction in the provision for the pay award and increments post review
Income generation (Commercial)	(1,030)	See appendix
Property/asset rationalisation (Property)	(835)	See appendix
Procurement/contracts (Procurement)	(940)	See appendix
Efficiencies/transformation (Digital & ICT)	(130)	See appendix
Efficiencies/transformation (Customer)	(100)	See appendix
Efficiencies/transformation (People)	(700)	See appendix
Sub-total	1,973	
Target reduction in growth allocation (currently £3.5m)	(1,700)	The remaining £1.8m allocated to ASC £1.1m in line with 2% precept and £0.7m allocated to Children's Social care in line with iMPower recommendation
Efficiencies/transformation (Service Reviews)	(577)	See appendix
Contribution to increased GF Balance	420	
Working Balance deficit/(surplus)	116	

	2017/18	
	£000s	
Environmental investment	1,000	Clean It, Cut It, Fill It
Revised deficit/(surplus)	1,116	
Capitalise part of MRP budget to meet GF balances contribution	(420)	This meets the principle of only budgeting for the approach of capitalising MRP for items that are not ongoing base budget pressures
Revised Treasury projections	(500)	Ongoing low interest rates, investment returns and a reduction in the MRP budget
Reduction to Transformation Budget	(200)	A reduction to the provision made to meet ongoing costs – licenses etc – of transformation projects
Total deficit/(surplus)	(4)	

5.3 The budget also assumes that all services' base budgets are amended to reflect the variances reported to Cabinet in recent months. This includes a further budget allocation, in addition to the £0.7m set out in the table above, to Children's Services to meet the circa £4m pressures. This is funded from permanent budget transfers from the other service areas that have delivered surpluses throughout the year to meet this pressure.

5.4 In addition to the above, it is proposed to allocate a further £1.25m of growth to meet Adult Social Care pressures through the additional increase to the ASC precept to 2.99% and the ASC Support Grant.

6 Issues, Options and Analysis of Options

6.1 Options include whether to continue with the Clean It, Cut It, Fill It initiative or whether to allocate some or all of the £1m identified to another service and/or to offset savings proposals.

6.2 Cabinet will also have to consider the level of council tax to recommend to Full Council. The recommendation from Directors' Board is for the 1.99% general increase and the full 3% ASC precept to help meet ongoing pressures.

7 Reasons for Recommendation

7.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the approach to achieve that balanced budget whilst also providing additional resources for both Adults' and Children's Social Care and the Environment Service.

8 Consultation (including Overview and Scrutiny, if applicable)

8.1 The budget planning governance structure includes involvement and consultation with Officers, Portfolio Holders and Members and the various

Overview and Scrutiny committees considered proposals during October to December.

- 8.2 The CSR approach also involved monthly meetings to which all Group Leaders and Deputy Leaders were invited. These sessions provided an opportunity to discuss the latest budget position as well as consider specific ideas and savings proposals. These meetings will continue and work is underway to progress other areas where efficiencies could be made, identified through the meetings, including becoming cashless and reducing spend on subscriptions.

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

- 9.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. 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.

10 Implications

10.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. With the need to become financially self-sustainable the approach taken this year to concentrate on a more commercial attitude is set out in this report.

The proposals also include growth for the demand led services of Adults' and Children's social care whilst also including an additional £1m to enhance the cleanliness of the borough.

The General Fund Balance has been maintained at £8m over recent years. The target level has been revised to £9.26m and these proposals include a new budgeted contribution of £0.420m per annum for three years to meet this level.

10.2 Legal

Implications verified by: **David Lawson**
Deputy Head 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.

10.3 **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. Equality and Community Impact Assessments have been completed for specific proposals where required e.g. implications of the new approach in the Customer Services Strategy subject to agreement.

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

Any other significant implications will be identified in any business cases for a proposal and consultation where required.

11 **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):

- Various working papers within Finance and relevant services
- DCLG announcements on various grants and council tax principles

12 **Appendices to the report**

- Appendix 1 – Schedule of proposals

Report Author:

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Finance and IT

SAVINGS PROPOSALS

Reference	Board	Proposal	2017/18	Comments
PROC-2017-01	Procurement	Adult Care Placements (18-65 age group) – Review of placement costs against care plans.	100	Review of placement costs (MH, PD, LD) against care plans. This is in addition to the existing savings target underway for Placements.
PROC-2017-02	Procurement	Parking – service brought in house. There will be initial set up costs in 2016/17 but new service should realise savings from 2017/18	75	End of Serco Parking Processing contract – service brought in-house. There will be set up costs initially (in 16/17) will realise savings from 17/18
PROC-2017-03	Procurement	Home to School Transport (Education budget)	25	Savings from rationalising demand and sharing vehicles.
PROC-2017-04	Procurement	Waste disposal contract negotiations	25	Savings from contract extension will be sought.
PROC-2017-05	Procurement	ICT Category – Achievable savings on main contracts and rationalisation of smaller ones	110	Achievable savings on main contracts and rationalisation of smaller ones
PROC-2017-06	Procurement	Insurance – modest savings secured through renegotiation of existing contract	30	Modest savings to be secured through renegotiation at extension or through re-procurement.
PROC-2017-07	Procurement	Creative use of Purchase Cards – savings from a reduction of 2 FTE plus rebate from supplier	55	Savings from reduction of 2 FTE from Creditors Team 17/18 plus £10K annual estimated rebate from RBS (£5K in year 1). Additional savings will be secured by better low value contract management and less maverick spend.
PROC-2017-08	Procurement	Overpayment Review – use of specialist no-win, no fee consultants to identify overpayments to contracts	100	One off saving in 2017/18 through use of consultants to identify overpayments on contracts. Payment by results. Successful with other Councils and on CCS Framework.
PROC-2017-09	Procurement	Review of Translation and Interpretation Services – procurement exercise to improve consistency via a framework agreement at an agreed price	20	Procurement of formal contract and some reduction in spend (keeping interpretation and statutory translation requirements)

SAVINGS PROPOSALS

Reference	Board	Proposal	2017/18	Comments
PROC-2017-10	Procurement	Reduction of Consultancy Spend	300	Reduce consultancy spend across the organisation
PROC-2017-11	Procurement	Contract Management	100	Savings delivered through more effective contract management
COMM-2017-01	Commercial	WiFi/Small Cell & Rooftop Concession contract – Tender documents issued 23/9 target date for contract award Jan 2017	75	As per soft market test £750k over 10 years
COMM-2017-02	Commercial	Counter Fraud & Investigation – expansion of traded services	150	Creation of a commercial vehicle
COMM-2017-03	Commercial	Trade Waste Year on Year Growth	75	Development of the trade waste service
COMM-2017-05	Commercial	Maximise use of external funding opportunities	40	Make more effective use of external funding opportunities
COMM-2017-06	Commercial	Further income from advertising/ sponsorship/ filming including roundabouts	20	Further Income opportunities from advertising / sponsorship & filming
COMM-2017-07	Commercial	Trading grounds maintenance services	40	This is a separate item to traded services to schools to reflect the fact that other services could also be traded
COMM-2017-08	Commercial	IT – expansion of traded services	30	Exploring market to identify non-school prospects for broadband. First school telephony pilot almost complete – now reviewing and prioritising other schools (targeting 5 sign ups in 2017/18).

SAVINGS PROPOSALS

Reference	Board	Proposal	2017/18	Comments
COMM-2017-09	Commercial	Fees & Charges	250	No further growth due to £750k being realised since 16/17
COMM-2017-10	Commercial	Treasury Vehicles – full year effect of the solar farm investment	350	Full year effect of existing investments
CUST-2017-01	Customer & Demand Management	Customer Services Strategy	100	Savings from channel migration and digital enabling a reduction in resources required for face-to-face contact.
DIGI-2017-02	ICT / Digital	Citizen Journeys - Enable citizens and customers to do business with the council digitally	30	Productivity savings across all services £30k in 2017/18 through Thurrock Online - Revs and Bens. Remainder to be allocated
DIGI-2017-03	ICT / Digital	Legacy Digital Programmes - Ongoing benefits realisation from completed projects	100	Property Rationalisation and Productivity Savings across Services in 17/18 Productivity Savings across Services from 18/19
PEOP-2017-01	People	Agency staff – reduce use of high cost agency staff through recruitment and retention initiatives and service/workforce re-engineering	400	Reduce the use of high cost agency staff through recruitment and retention initiatives and service/workforce re-engineering
PEOP-2017-02	People	Sickness Absence – reduce overtime and agency costs through effective attendance management	100	Reduce overtime and agency costs through effective attendance management
PEOP-2017-04	People	Review of overtime spend – currently at £1.5m	200	Manage overtime spend across the council
PROP-2017-01	Property	Rental income stretch target - Annual 5% increase in rent roll (excluding Purfleet Centre)	50	Annual 5% increase in rent roll (excluding Purfleet Centre)
PROP-2017-02	Property	Further letting income – from Civic Offices 1 (rent and service charge)	50	Allow for slow build up of occupation. Figure shown includes rent and s/c.

SAVINGS PROPOSALS

Reference	Board	Proposal	2017/18	Comments
PROP-2017-03	Property	Further letting income – Thameside Centre (rent and service charge)	30	Building likely to close in following year. Letting income potentially limited by nature of space.
PROP-2017-04	Property	Relocation of YOS from Corringham Police Station	50	Saving will fall in first year and not be repeated. Likely to be accrued within Children's Services
PROP-2017-05	Property	Corporate Landlord ie centralised maintenance and management of all corporate assets – 10% reduction in running costs through economies of scale	25	Corporate Landlord programme is underway. Libraries have transferred already and Children's estate now being audited. Savings and income opportunities highly likely but cannot be accurately quantified until estate is better understood.
PROP-2017-06	Property	Corporate Landlord – Additional income target	25	Additional income target through the Corporate Landlord model
PROP-2017-07	Property	Facilities Review	175	Review the impact of the running of operational properties under the Corporate Landlord model
PROP-2017-08	Property	Street Lighting efficiencies – LED replacement programme – savings through energy efficiency and maintenance	430	LED replacement programme - savings through energy efficiency and maintenance
SERV-2017-01	Service Review	Libraries	80	The service review will examine options for a comprehensive library service as part of an integrated approach to the provision of community facilities in the Borough.
SERV-2017-02	Service Review	Children's Service business admin - reorganisation of service offer	130	The current business support does not currently meet the requirements of a more integrated children's service so the changes will deliver a more bespoke model of support and bring further efficiencies.
SERV-2017-03	Service Review	Adult Social Care - Fieldwork Services	100	We are maintaining the austerity measures we introduced during 2016/17 pending the full review of the fieldwork service. This includes only recruiting to essential posts and the centralisation of non-staffing

SAVINGS PROPOSALS

Reference	Board	Proposal	2017/18	Comments
				budgets.
SERV-2017-04	Service Review	ASC Commissioning (voluntary sector)	97	We are reviewing our entire voluntary sector grants and contracts budget to identify savings on those groups / projects that were either time limited or have a lower priority.
SERV-2017-05	Service Review	Private Rented Sector - HMOs, condition etc	45	In line with the report that was submitted to Housing Scrutiny in December 2016 the definition of an HMO has been extended and so this gives the Council a potential increased income stream.
SERV-2017-06	Service Review	Debt collection	55	Debt collection is currently carried out in a number of sections throughout the authority. The service review is likely to recommend an integrated approach that will save on FTE but, more importantly, create a more cohesive approach to working with our residents on managing debt issues and pressures.
SERV-2017-07	Service Review	HR & Payroll & OD	30	HR, Payroll and OD services are currently focused on delivering mainly internal services, with some schools buying payroll. The service review has identified opportunities to realign resources, and increasing the use of digital systems to provide the capacity to offer a range of services externally – this will include HR advice and support, training programmes and payroll services.
SERV-2017-08	Service Review	Corporate Programme Team	20	The service review will identify current FTE vacancies in conjunction with similar skilled employees that may be currently deployed within other Services to eradicate duplication of roles. Plus, evaluate the potential for the cross-selling of existing project/programme delivery skills externally and develop plans to maximise this opportunity.
SERV-2017-09	Service Review	Customer Services	20	Additional savings from the implementation of the Customer Service Strategy above and focus on channel shift/digital reducing resources required overall.