

5 April 2017		ITEM: 10 (Decision 01104415)
Cabinet		
Revenue Budget Monitoring – January 2017		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Shane Hebb, Cabinet Member for Finance & Legal Services		
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 provides an update on the forecast 2016/17 outturn position as at the end of January 2017.

Previous reports have shown that the Council has had to meet considerable financial pressures, most significantly due to demand within Children's Social Care, but that this has been largely mitigated. Whilst this forecast still shows a projected deficit, officers are confident that continuing action will keep the budget within the agreed budget envelope.

1 Recommendations:

- 1.1 That Cabinet note the forecast outturn position for 2016/17; and**
- 1.2 That Cabinet agree the use of capital receipts to fund transformation spend in line with the capital receipt flexibility policy introduced as part of the Governments multi-year settlement and council's efficiency plan.**

2 Introduction and Background

- 2.1** In February 2016, Council agreed the General Fund budget for 2016/17 as part of the MTFS. Whilst no additional budget savings to front line services were proposed, the 2016/17 budget does include previously agreed savings of £3.391m (see Appendix 1). In addition to this, income growth of £0.775m was agreed as part of the fees and charges report at February 2016 Cabinet. Progress against these targets are set out in the report and appendix – where these have not been met in full, mitigating action has been put in place and this is demonstrated in the table at 2.5.

- 2.2 Current projections indicate a reduction in the forecasted over spend since the last report to £0.142m, a variance of 0.12% on the agreed overall budget. The pressures that have led to this variance are set out below and includes the £0.45m investment in Clean It, Cut It, Fill It.
- 2.3 The most significant pressure remains within Children's Services. In addition, Cabinet should note that there continues to be risks due to ongoing demand pressures within Adults' Social Care and Environment Services. Mitigation includes managing demand, further income generation, improving efficiency and reducing non-essential spend.
- 2.4 The predicted year end overspend position includes £0.450m to deliver the 'Clean it, Cut it, Fill it' initiative for 2016/17. Officers continue to work to close the gap of £0.142m and, should it be required, the use of one-off capitalising part of the Minimum Revenue Provision (MRP) budget to meet the costs of the pilot will be considered. Growth of £1m has been included within the budget to mainstream the initiative into 2017/18 within the Environment budget envelope.
- 2.5 The table below summarises the net position by Directorate:

Directorate	Full Year Budget £000	Forecast £000	Variance From Budget £000	Variance Q2 £000
Adults, Housing & Health	33,583	33,882	299	0
Children's Services	31,725	36,696	4,971	4,670
Environment & Place	24,283	24,434	151	(19)
Clean it, Cut it, Fill it	0	450	450	450
Finance & IT	10,395	9,802	(593)	(561)
HROD	7,875	7,239	(636)	(375)
Legal Services	2,226	2,226	0	0
Commercial Services	610	590	(20)	(25)
Central Expenses	4,032	2,927	(1,105)	(525)
Growth Allocation	3,375	0	(3,375)	(3,375)
Total	118,104	118,246	142	240

- 2.6 Whilst the position set out above continues to show an overspend position, this needs to be seen in the context of agreeing £0.450m for the Clean It, Cut

It, Fill It pilot. Officers expect this variance to reduce in the final quarter of the year.

- 2.7 As part of the Government's introduction of a multi-year settlement and capital receipt flexibility, the council submitted its efficiency plan in October 2016 that was subsequently approved by the Department for Communities and Local Government. As such, the council is now able to use capital receipts to fund transformation costs and it is recommended that this freedom be utilised if deemed prudent to do so.

3 Issues, Options and Analysis of Options

3.1 January 2017 position

3.1.1 Adults, Housing and Health

Full Year Budget £000	Forecast £000	Variance £000
33,583	33,882	299

Adults, Housing and Health is forecasting an overspend of £0.299m. There have been significant pressures particularly in relation to the domiciliary homecare provision and the need to bring a number of care hours back in house. The instability in the local market has resulted in increased costs for the Local Authority and this has been closely monitored and managed within the directorate. To mitigate some of this impact the management team has continued with a number of corrective actions such as a freeze on recruitment of non-essential staff, review of all non-staffing relating costs, reassessment of client contributions and developing closer working relationships with the council's health partners. There are a number of demand led services within this directorate and these remain under close scrutiny with a clear understanding of the financial implications of any placement related panel decisions.

The Housing service continues to forecast to budget. Homelessness presentations are closely monitored and remain an area of risk. There are no major variances to report.

3.1.2 Children's Services

Full Year Budget £000	Forecast £000	Variance £000
31,725	36,696	4,971

The main pressures on budgets are due to the following:

- The cost of placements – external placements for children continue to be a pressure, where the cost of Independent Foster Care Agencies (IFAs) is still the major concern in common with the national position. Mitigating action is being taken to reduce spot purchasing of IFA placements and identify which

children can be moved into lower need / cost placements. The review of in-house foster care, through iMPower, considered ways to increase the supply of in-house providers to significantly reduce costs. It is however recognised that this will not be in place for 2016/17;

- The Corporate Director continues to review high cost residential 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. There are currently a number of specialist reviews taking place looking at whether a more bespoke service can be provided to larger sibling groups in residential care, to support better value as well as better individual outcomes;
- Pressures in staffing continue with the need to replace higher cost temporary staff with good quality permanent recruits. The service has made significant progress in ensuring all agency staff are on the agreed Eastern region rates to reduce the incentives to move assignments between Local Authorities. Work to reduce other social work agency staff in the directorate continues, and there has been some recent success in permanent recruitment which is bringing numbers down;
- The number of unaccompanied asylum seekers supported in Thurrock has been steadily reducing and now stands at 63 having peaked at 103 earlier this year following the introduction of the Eastern regional protocol. Whilst this has stopped any further pressures on the budget since the last report, this remains a cost pressure against the original budget but should see reductions from 2017/18; and
- Regarding mitigation, whilst the majority of planned reductions have been achieved some of the benefits in 2016/17 have been deferred into the next financial year due to severance costs. Also, work to commission low cost supported accommodation for older UASC has been delayed as the proposed provider has pulled out of negotiations; work continues to find another interested party at the right price.

3.1.3 Environment & Place

Full Year Budget £000	Forecast £000	Variance £000
24,283	24,434	151

Environment and Place is forecasting an overspend of £0.151m. This is primarily due to additional depot security arrangements and pressure on waste budgets due to the continued decline in recycling rates. The service is managing significant pressures in year including changes to recycling contracts, additional town centre clean up

requirements, increasing demands on the highway network and managing the unachieved budget savings associated with the Thameside. The impact of Clean it, Cut it, Fill it is in addition to this and expected to cost £0.450m in 2016/17. Mitigation measures have been put in place to address the forecast overspend by deferring some recruitment and by generating increased income from shared services.

3.1.4 Finance & IT

Full Year Budget £000	Forecast £000	Variance £000
10,395	9,802	(593)

Finance and IT are forecasting to underspend by £0.593m which supports the mitigation of council wide pressures. This is primarily through restructure savings of £0.245m within ICT, additional income within Fraud of £0.217m, an underspend of £0.031m in Revenues and Benefits and £0.100m from other directorate services. Delivery will result in post reductions and is put forward as the first year target towards the 15-20% efficiency challenge. These savings are in addition to a further £0.250m ICT reduction allocated to the £1.200m Organisation Challenge savings target and the £0.150m agreed for Revenues and Benefits. Together, these represent a reduction on the accountable budget circa 9%.

3.1.5 Human Resources and Organisational Development

Full Year Budget £000	Forecast £000	Variance £000
7,875	7,239	(636)

HROD is forecasting to underspend by £0.636m, which supports the mitigation of council wide pressures. This relates primarily to vacancies that existed earlier in the year and managing spend within training and corporate communications. The service is managing a pressure of £0.120m in respect of the Occupational Health service that was previously funded through the Public Health grant. However, reductions to the grant have resulted in a review of its use and the pressure is to be mitigated by increasing income and managing within wider HROD budgets.

Pressure within the Communication budget due to funding an acting up allowance and backfilling through agency staff for sickness absence is being managed within wider service budgets and prioritising spend to remain within budget overall.

The service has an agreed savings target of £0.100m which is expected to be delivered through income generation activity including a roundabout sponsorship scheme and a more proactive approach to filming in the borough.

3.1.6 Legal Services

Full Year Budget £000	Forecast £000	Variance £000
2,226	2,226	0

Legal Services are forecasting to spend to budget by year end though the income target, increased by £0.250m in 2016/17, is becoming increasingly difficult to achieve.

To deliver the income target the shared legal service will need to deliver greater efficiencies and ensure the commercial viability of the shared service is fully utilised in areas of income generating work such as delivering legal services to other Councils and public sector organisations. The shared legal service has a record of delivery on income targets. A commercial review is now required to assess the viability of delivering this new target with consideration of any further efficiencies or enablers within the shared service model.

3.1.7 Commercial Services

Full Year Budget £000	Forecast £000	Variance £000
610	590	(20)

The Commercial Services Directorate is forecasting to underspend by £0.020m that supports the mitigation of council wide pressures. This is through reductions in operational spend and recharging to public health for work carried out on significant contract procurements.

3.1.8 Central Expenses

Full Year Budget £000	Forecast £000	Variance £000
4,032	2,927	(1,105)

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.

Projections indicate an underspend of £1.105m. This is primarily from an improved treasury position and return on a joint LA Bond issued to the private sector. Given the uncertainty in the markets following the EU Referendum result, the treasury position continues to be monitored closely.

The Central Expenses budget includes an allocation of £0.050m in respect of the Lower Thames Crossing proposal and £0.365m invest to save funding available to

support initiatives geared towards enabling financial self-sustainability. In addition to this, £3.375m has been allocated towards managing council growth pressures.

3.1.9 Housing Revenue Account

	Full Year Budget	Forecast	Variance
	£000	£000	£000
Repairs and Maintenance	12,602	13,217	615
Housing Operations	11,263	11,076	(187)
Financing and Recharges	24,018	24,093	75
Rent and Income	(48,426)	(48,586)	(160)
Development	543	200	(343)
Total	0	0	0

The Housing Revenue Account budget, agreed by Cabinet in February 2016, is forecasting a breakeven position. .

Repairs & Maintenance

The service is forecasting an over spend of £0.615m. This is largely due to additional pressures for boiler installations as a result of unforeseen boiler failures and additional gas breakdown repairs. The exclusions budget is forecasting an overspend due to an increased call on the budget for external works as the Transforming Homes programme has been re-profiled.

Housing Operations

The service is forecasting an under spend of £0.187m. Budget savings and efficiencies through holding vacancies and managing spend are expected to contribute to mitigating the pressure within Repairs and Maintenance.

Rent & Income

There is a forecast underspend of £0.160m. Leasehold actuals have been billed resulting in additional income over initial estimates. This offsets the loss of income due to delays in letting properties on Seabrooke Rise and Derry Avenue.

Development

The forecast underspend of £0.343m is as a result of New Build schemes moving into more established phases requiring a reduced call on the revenue budget to support them. However, the mitigation is reduced due to delays in letting properties on Seabrooke Rise and Derry Avenue which has resulted in increased costs relating to Council Tax on void dwellings.

4 Reasons for Recommendation

- 4.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2016/17 along with actions to mitigate these pressures and deliver a breakeven position.

5 Consultation (including Overview and Scrutiny, if applicable)

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

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

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

7 Implications

7.1 Financial

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

The financial implications are set out in the body of this report and shows that, despite considerable pressures and investment in Clean It, Cut It, Fill It, the council will be able to come within the agreed revenue budget.

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. Austerity measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

7.2 Legal

Implications verified by: **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.

7.3 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.

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

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

8 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.

9 Appendices to the report

- Appendix 1 – 2016/17 Savings Tracker

Report Author:

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Finance and IT