

13 September 2017		ITEM: 10 (Decision 01104438)
Cabinet		
Revenue Budget Monitoring – Quarter 1 June 2017		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Hebb, Portfolio Holder for Finance and Legal Services		
Accountable Assistant Director: Sean Clark, Director of Finance and IT		
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 June 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 June 2017, current projections indicate a General Fund pressure of £1.050m 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. Recommendation(s):

- 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 The new budget information system went live at the start of 2017/18 allowing budget holders access to financial information instantly rather than the previous need to await monthly finance reports. The latest forecast position is also held within the system and updated monthly through liaison with the finance team.
- 2.4 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	33,644	33,511	(133)
Housing General Fund	2,166	2,166	0
Children's Services	34,657	36,196	1,539
Environment & Place	27,994	28,444	450
Finance & IT	7,611	7,452	(159)
HROD	4,110	4,110	0
Strategy, Comms & Customer Services	2,541	2,541	0
Legal Services	2,187	2,187	0
Commercial Services	549	549	0
Central Expenses	(1,748)	(2,395)	(647)
Total	113,711	114,761	1,050

3. General Fund Position

Adults, Housing & Health - £0.133 underspend

- 3.1 The ASC outturn position reflects the additional funding allocated through the ASC precept and one-off grant for 2017/18. The position should be considered in the view of a range of ongoing pressures for the Directorate. These are predominately the volatility of the domiciliary homecare market – Thurrock has had to take a number of homecare contracts back in-house over the past 18 months. Following legal advice and CQC guidance the intention is to transfer staff from the current agency delivering approximately 1,200 care hours per week to our in-house provision, this will have a significant cost implication as the service has been under-resourced for a long period of time and the additional management support required in this area to ensure safe service delivery needs to be implemented. There is a current recruitment exercise underway in this area.
- 3.2 Placements for people with Learning Disabilities remains an ongoing pressure due to the bespoke nature of the packages required to meet the identified needs. ASC has a good process in place for identifying upcoming placements and planning appropriate provision but the risk remains and at the end of Q1 the potential impact of these placements needs to be considered with regards to the demand led nature of the business.
- 3.3 Income towards 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 and this will be closely monitored throughout the year.

Housing General Fund - Breakeven

- 3.4 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 £0.168m on Homelessness. The Grant mitigates this overspend with any remainder being earmarked for preventative initiatives. The number of Households in Temporary Accommodation is shown below. From May to June the overall number of Households in Temporary Accommodation reduced from 143 to 135.

Homelessness Placements	April	May	June
B&B (Hotels)	25	24	6
Hostels	24	29	29
Private Lettings (Nightly Lets)	44	48	47
Furnished Lets (Council Stock)	38	37	48
Refuge	5	5	5
Total	136	143	135

Children's Services – £1.539m overspend

- 3.5 The Directorate is forecasting an overspend of £1.539m. This is primarily due to pressures within social care of £1.635m (breakdown below) and offset by expected underspends of £0.074m and £0.022m within Learning and Universal Outcomes and Central Administration Support respectively.

Children's Social Care Pressures	£m
Staffing (inc Agency)	0.225
Legal Costs/Support (complex cases)	0.330
Loss of CCG contribution	0.350
Placements	0.230
Aftercare (over 18s)	0.360
Children with disabilities	0.140
Total	1.635

- 3.6 It is important to note that the position assumes the work on the aftercare placement budget will continue to drive down costs. Action has already been taken to review placements when children reach 18 and placement costs are reducing. Systems are in place to ensure that a robust response is maintained so that future expenditure is contained.
- 3.7 Given the current levels of unaccompanied asylum seeking children it is forecast that the budget will breakeven in 2017/18. This follows continuing reductions after the introduction of the Eastern Regional Protocol. At the existing rate of reduction we anticipate there being about 30 UASC by the end of 2017/18, which is just above our threshold rate of 28.
- 3.8 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.
- 3.9 Additional legal costs have been incurred due to the volume - currently there are 56 cases covering 113 children – and complexity, especially in terms of multiple sibling families. Work is underway to permanently recruit and reduce staffing costs.
- 3.10 Education transport forecasts are based on planned work as a part of a service review. As the routes for the new academic year will not be known until September there may be an adjustment needed to the predicted year end position.
- 3.11 Finally, the CCG has withdrawn financial support towards those high cost placements with complex needs – discussions need to take place with the CCG to explore this further.

- 3.12 The Directorate has a programme of work to reduce expenditure including the re-commissioning of placement provision, changes to accommodation in Aftercare and the continued reduction in agency staff.

Environment & Place - £0.450m overspend

- 3.13 The Directorate is forecasting an overspend of £0.450m with the pressure primarily within the Environment service. This includes waste disposal contract extension costs (additional cost of £0.075m, whereas a £0.025m saving had been budgeted) and a higher cost of disposal due to increasing waste tonnages of £0.220m. Pressure of £0.080m is anticipated within the Library service in respect of the Library review budget saving as no changes are anticipated to the service offer imminently and there is significant pressure on the council's book fund. Pressure of £0.050m is forecast due to the provision of additional resource to cover public health work within the public protection function regarding fly tipping in the borough.
- 3.14 There are further financial risks within the Environment service which are not currently recognised within this forecast, however, may result in additional pressure later in the year. Primarily the cost of bringing the Civic Amenity site back in-house, now known as the Household Waste Recycling Centre (HWRC). The contract for site management expired with the existing contractor making it clear that they were unable to operate the site on a breakeven basis and therefore despite the offer of an increased management levy they had no appetite to extend. The requirement to redevelop the site, volatile waste disposal costs and the requirement to undertake a fundamental review of waste acceptance policy at the site meant that putting the site out to tender as-is was deemed not to be a viable proposition. The current increased costs being incurred on the site reflect their concerns as costs are high and are likely to include elements of trade waste abuse.
- 3.15 It is important to note that had this contract been re-tendered not only would these costs have been included in the contract value, but prices would also incorporate the requirement for a profit margin and contingency to reflect the national trends in waste disposal costs, so in effect the Council is best placed in controlling costs while the site is redeveloped and improved operational practises are implemented.
- 3.16 Waste disposal contracts are being re-procured in Q4, therefore, disposal costs are known until December 2017 but may change after this time. National data suggests that gate fees for waste disposal are increasing for landfill, stable for energy from waste which is not out for re-procurement, recycling gate fees are volatile and In Vessel Composting fees are stable however the gate fee will be increased due to the new contract rates being 7 years on from those agreed at the last contract. These pressures combined suggest that the re-procured contracts will deliver a budget pressure.
- 3.17 The tender process for a new fleet has been completed and officers are in the process of awarding the contracts and confirming procurement. However, during this lead in time, aging vehicles working beyond their life expectancy poses a potential financial risk. There has been an increase in vehicle hire to

ensure service continuity and the success of route optimisation and to address the recent vehicle issues experienced in June. Similarly, to ensure that gritting equipment is available and in place for the winter season, as procurement activity will not guarantee the new gritters from the start of the season.

- 3.18 A further financial risk within Planning and Growth is a possible national Class Action regarding planning fees (estimated at £0.180m).
- 3.19 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.

Finance & IT - £0.159m underspend

- 3.20 The Directorate is forecasting to underspend due to savings within ICT. 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 – breakeven

- 3.21 The service is forecasting a breakeven position. There are no risks identified at this stage.

Strategy, Communication & Customer Services – breakeven

- 3.22 The service is forecasting a breakeven position with pressures within employee budgets being managed.

Legal Services – breakeven

- 3.23 The service is forecasting a breakeven position with no significant budgetary risks identified.

Commercial Services – breakeven

- 3.24 The service is forecasting a breakeven position.

Central Expenses - £0.647m underspend

- 3.25 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.

- 3.26 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 per annum for the next three years. 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.
- 3.27 There is an emerging 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	10,198	10,765	568
Housing Operations	12,212	11,722	(490)
Financing and Recharges	25,276	25,199	(77)
Rent and Income	(48,039)	(48,039)	0
Development	353	353	0
Total	0	0	0

- 4.1 As at the end of June 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 June 2017 is 92.5% against a profiled target of 85%. Leaseholder Service Charge estimated bills have been issued to Leaseholders and are in line with budget.
- 4.2 The Grenfell Tower fire has resulted in some additional spending on fire safety measures, the total impact of which is relatively small at present due to the high level of assurance already in place (and the absence of any 'suspect' elements from Thurrock's tower block cladding and insulation materials). As a further contingency, a total further potential pressure of £1m is possible. This reflects the 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. The service will consider this and other potential further fire safety enhancements later in the year, by which point a number of current uncertainties should be resolved, principally through the following;
- a) An updated asset database through the Stock Condition Survey,

b) Independent confirmation that Thurrock's cladding materials are non-inflammable, and

c) More clarity on the government's expectations of all social landlords in the wake of the tragedy.

5. Public Health

- 5.1 The Public Health grant reduced in 2017/18 by £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 providers to deliver the Thurrock Healthy Lifestyle Service on a performance related basis and it is expected this will lead to efficiencies within the service.
- 5.5 Current projections indicate an underspend of £0.303m which is intended to be carried forward as part of the ringfence to help manage expenditure in 2018/19.

Public Health	£000
2017/18 grant allocation	(11,333)
2016/17 carry forward	(424)
Estimated 2017/18 spend	11,454
Expected carry forward to 2018/19	(303)

6. Dedicated Schools Grant (DSG)

- 6.1 Current projections indicate pressure of £1.969m within the DSG.
- 6.2 The total allocation for 2017/18 is £145.55m prior to recoupment and £55.12m after recoupment. Therefore, against the £55.12m the council receives, the latest monitoring is forecasting an in-year pressure of £1.969m mainly within the high needs block (HNB):

2017-18 DSG Forecast Outturn						
	Budget (£millions)	Recoupment (£millions)	TOTAL (£millions)	OUTTURN (£millions)	YEAR END Forecast Variance (underspend) overspend £millions	% over (underspend)
Schools Block	112.57	87.04	25.53	25.67	0.136	1%
High Needs Block	21.75	3.39	18.36	20.19	1.833	10%
Early Years Block	11.23	-	11.23	11.23	-	
TOTAL	145.55	90.43	55.12	57.09	1.969	4%

Schools block - £0.136m pressure

6.3 When the schools block formula was set, £1.250m was earmarked for growth and expanding classes within schools. Current projections indicate forecast allocations of £1.386m, therefore a pressure of £0.136m due to growth allocations to schools.

High needs block - £1.833m pressure

6.4 The high needs block is forecasting a pressure of £1.833m mainly due to areas of growth within the borough of statements/Education Health and Care (EHC) plans and transport costs:

- Independent school fees transport costs £0.293m
- Home to school transport costs £0.458m
- High needs/Special Educational Needs and Disabilities SEN(D) children top up payments to maintained schools £0.108m
- High needs/SEN(D) children top up payments to academies and PVI settings £0.346m
- Payments in support of children and young people with SEN(D) £0.187m
- Learning and universal salary pressures £0.321m
- Education and specialist salary pressures £0.120m

6.5 A sub working group from Schools' Forum has been established with representatives from the Forum and officers from the Council to conduct a strategic health check and review of the DSG, working collaboratively to identify savings in future working initiatives and practices and to recover the position.

7. Employee Spend

7.1 At the end of Quarter 1, projections indicate pressure of £0.611m on Employee budgets.

7.2 This is primarily within Adults and Children's Services. Adults are containing this pressure within non-employee budgets. The Children's pressure forms part of the reported pressure within the Directorate position in paragraph 3.5.

- 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	14,579	13,516	1,449	14,965	386
Housing GF	970	772	102	874	(96)
Children's Services	22,462	19,361	3,326	22,687	225
Environment & Place	17,401	15,918	1,546	17,464	63
Finance & IT	7,481	7,051	409	7,460	(21)
HROD	4,016	3,983	33	4,016	0
Strategy, Comms & Customer Services	3,153	3,186	20	3,206	53
Legal Services	1,993	1,518	475	1,993	0
Commercial Services	701	657	45	702	1
TOTAL	72,756	65,962	7,405	73,367	611

8. External Income

- 8.1 As at the end of Quarter 1, the full year forecast for external income is reporting a £0.471m shortfall.
- 8.2 The £0.447m shortfall in Children's is as a result of significant shortfall in Day Nurseries of £0.329m. The pressure relates to income generated through fees and charges, however, the pressure is being managed through additional income through parental contributions and funded places through the Dedicated School Grant (EY Block) resulting in a net pressure for Nurseries of £0.094m. Work will be undertaken through the Commercial Board to investigate further and review income expectations. Budgets will be reviewed in respect of clarifying the split between income from fees and grant funding and updated accordingly.

- 8.3 The £0.122m shortfall in Environment & Place is primarily due to shortfalls in Facilities (Civic & Thameside) of £0.157m due to delays in the rental income targeted for CO1/2 developments and delays in the WIFI/Small Cell & Rooftop Concession income proposal. This is partially offset by a projected £0.134m gain in Environment Enforcement income. Environment Enforcement budgets will be reviewed and updated to reflect the latest position in respect of current enforcement initiatives. The Commercial Board will investigate the shortfall in Facilities income.

Directorate	Last Year Outturn 16/17 £000	Full Year Budget 17/18 £000	Forecast Outturn 17/18 £000	Budget Variance 17/18 £000
Adults	(308)	(217)	(255)	(37)
Children's	(4,395)	(5,289)	(4,842)	447
E&P	(5,273)	(5,000)	(4,878)	122
Housing GF	(149)	(79)	(138)	(59)
Legal	(3)	(92)	(93)	(1)
Total	(10,129)	(10,680)	(10,209)	471

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. 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.

12.2 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.

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:

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Finance and IT