

11 December 2014		ITEM:
Corporate Overview and Scrutiny Committee		
Shaping the Council and Budget Progress Update		
Wards and communities affected: All	Key Decision: Yes	
Report of: Councillor John Kent, Leader of the Council		
Accountable Head of Service: Sean Clark, Head of Corporate Finance and Section 151 Officer; Karen Wheeler, Head of Strategy & Communications		
Accountable Director: Graham Farrant, Chief Executive		
This report is Public		

Executive Summary

The report that follows will be considered by Cabinet on 17 December 2014 and is presented to the Corporate Overview and Scrutiny Committee to provide the latest budget position.

There have been a number of reports presented to Cabinet since July 2014 on the budget pressures and progress in meeting those pressures covering the financial years 2015/16 through to 2017/18.

The report considered by Cabinet on 5 November 2014 reported a budget gap of £3.785m over that period of which £0.557m related to 2015/16. The reports have also made clear that the figures were reliant on the following factors: all savings being agreed and delivered; the impact on government grant being as estimated; and, as the last report set out, subject to a review of the latest business rate position and the impact of unwinding some of the shared service relationship with the London Borough of Barking and Dagenham.

This report provides an update on those factors and revised budget forecasts.

- 1. Recommendation(s):**
 - 1.1 That the Corporate Overview and Scrutiny Committee comment on the contents of this report to support consideration by Cabinet on 17 December 2014.**
- 2 Introduction and Background**

- 2.1 Cabinet have considered detailed reports at each of its meetings in this municipal year that have followed on from the Council budget report in February 2014.
- 2.2 Each report has tracked changes from that budget report explaining changes to assumptions, identifying further pressures and offsetting the deficit by a number of savings proposals.
- 2.3 These proposals were set out into two categories:
 - 2.3.1 Those that are within the delegated authority of officers, such as implementing efficiencies and staffing restructures; and
 - 2.3.2 Those that have required various levels of consultation with Members and communities as required. Appendix 1 sets out those proposals that have completed this process and are recommended to Cabinet for approval. Appendix 2 sets out those proposals that are either still being developed or consulted upon.
- 2.4 The remainder of this report will provide updates on the Autumn Statement, Business Rates and Shared Service along with their respective impacts on the MTFs. Finally, the report sets out the various bids that have been submitted by officers for the limited capital resources.

3 Autumn Statement

- 3.1 The key headlines from the Autumn Statement, announced on 3 December 2014, with regard to Local Authorities is set out below. Further information will become available over the coming days and, along with details of the grant announcement due the week before Christmas, will form the basis of the next budget report to Cabinet in January 2015:
 - Public Sector expenditure to keep reducing at the same rate until 2018. Then to increase at the rate of inflation for 2018/19 and 2019/20. Cabinet should note that this is public sector as a whole and the allocation may change between various sectors;
 - The government aims to find an additional £10bn in efficiency savings, led by the Cabinet Office, with a particular emphasis on online services. It is too early to say whether this will directly impact on local authorities;
 - The affordable housing capital investment policy has been extended to 2019/20;
 - There will be a major review of business rates, including alternatives, by December 2016;
 - There will be more support to small businesses in 2015/16 through the business rate system that will reduce the income collectable by Councils. Councils will be reimbursed by government through additional grant;

- Welfare changes to working age benefits, Universal Credit work allowances, treatment of overpaid tax credits and migrants' unemployment benefits;
 - The completion of the public service pension reforms;
 - Capital investment in highway and flood defence infrastructure; and
 - An extra £2bn to be invested into frontline NHS service.
- 3.2 The clear message though is that austerity needs to continue throughout the next parliament and those service areas that are not protected, such as local authorities, will face further significant reductions in grants.

4 Business Rates

- 4.1 The impact of business rates on the Council's resources has been well documented and publicised in recent months. Members will recall that the Council has had to set aside £13m as at 31 March 2014 for appeals that have been submitted for which the Council will have to pay 49%.
- 4.2 This figure can be split still further down as being approximately £4m for billing that took place in 2013/14, the year that the Council's resources were directly linked to the business rates collectable, and £9m for the period where the government had the full responsibility.
- 4.3 What has become clear in recent months is that this position is deteriorating. In fact, the £13m provision is proving correct as at that period with regard to appeals being determined but we are now seeing the ongoing impact of those appeals at £4m per annum (49% of which is a loss to the Council annually) and new appeals being lodged. This has had a significant impact on the resources and previous forecasts and the figures are set out in section 6 of this report.

5 Shared Services

- 5.1 Cabinet will be aware that the arrangement of sharing a Chief Executive with the London Borough of Barking and Dagenham is drawing to a close and, with it, other arrangements such as the sharing of the Assistant Chief Executive will also cease.
- 5.2 This creates a financial pressure on the Council as Thurrock will lose the contribution that it receives from LBBDD towards those salaries. With this in mind, The Chief Executive is looking at the senior management restructure and recommending changes that will both manage the transition as well as keeping the cost within the current budget envelope. There is a report elsewhere on this agenda setting out the proposals.

6 Medium Term Financial Strategy (MTFS)

- 6.1 The following changes have taken place to the forecast included within the November Cabinet report and are summarised in the table below:

- 6.1.1 Cabinet deferred £0.096m in Environmental Health Savings but alternative savings have now been identified;
- 6.1.2 The budget for investment interest has been increased after completing the investment with CCLA reported in the Treasury report on this agenda;
- 6.1.3 There have been some changes to the proposals affecting the Voluntary Sector but, with other savings having been found, the impact is neutral. Further analysis is set out in section 7 to this report;
- 6.1.4 As previously set out in this report, the impact of appeals both backward and forward looking is far worse than previously forecast. In addition, business growth in Thurrock has not been coming forward as expected. Together this has led to further pressures in 2015/16 of £4.48m (in addition to the £2m included in the July 2014) report and further pressures going forward;
- 6.1.5 Projected resources from council tax this year that carries forward into next year have improved the 2015/16 position by £1.737m;
- 6.1.6 The overall impact of the above is a net additional pressure of £1.943m on the previously published budget gap of £0.557m for 2015/16 (ie £2.5m overall) that, at this stage, is too big a gap to bridge effectively. Cabinet will recall that, to build further resilience into the budget, £3.5m of pressures arising in 2017/18 were brought forward into 2015/16 thus artificially worsening the position for that year. The recommendation is reduce that 'artificial' pressure in 2015/16 by £2.5m to balance the budget whilst still maintaining a contingency of £1.0m.

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
As per November Cabinet Report	0.557	3.375	(0.147)	3.785
Environmental Health	0.096			0.096
EH Service Management Savings	(0.096)			(0.096)
Treasury Budget – Investments	(0.800)			(0.800)
Voluntary Sector	-	-	-	-
Business Rates Related	4.480	1.500	1.500	7.480
Council Tax Related	(1.737)	0.810	(0.010)	(0.940)
Reduction of 'Contingency' to £1m	(2.500)	2.500		(2.500)
Revised Total	-	8.185	1.343	9.528

- 6.2 Subject to the grant announcements and the final approval of remaining budget proposals, the budget is effectively balanced for 2015/16 though Cabinet should note that this does assume a 1.99% council tax increase on 1 April 2015.
- 6.3 The table above shows that there are still significant challenges ahead to balance future years and these could worsen with the clear indication that there will be further significant cuts to the public sector over the medium term. Officers are already working on further options with the aim of delivery during

2015/16 to both ensure full year savings for subsequent years and to build additional resilience in 2015/16.

- 6.4 Directors' Board continue to monitor proposals where the value is high and delivery is at least, in part, subject to approvals from other bodies or linked to demand. Cabinet should note that officers are still in negotiation around the pay elements and Serco which, if not delivered, adds to the pressures above.

7 Voluntary Sector

7.1 At the Cabinet in August 2014, the Leader committed to holding a special meeting for O&S Chairs/Vice Chairs and the CVS to discuss all the savings proposals affecting the voluntary sector. This meeting took place on 27 October 2014 and a further meeting of the Joint Strategic Forum was held on 2 December 2014.

7.2 The impact for the Council budget of these discussions is as follows:

- A temporary fund will be provided to support the sector in the time of transition from central reserves. This will be funded through the Corporate Plan Reserve;
- An alternative budget proposal was submitted by the voluntary sector and considered by the Council. Five savings proposals have been changed as a result of this, with one further change as a result of an Overview and Scrutiny meeting, totalling £0.249m and are set out below;
- These changes mean that overall savings to the voluntary sector have reduced by £0.249m. Alternative savings have been identified and are set out below;

Original savings proposal	Original amount £000	2015/16 £000	2016/17 £000	2017/18 £000
Voluntary Sector Grants	150			(50)
BATIAS	60	(30)		
TCIL	60	(30)		
TRANSVOL	97	(50)		
Thurrock Women's Aid	46	(23)		
*Mentoring, Mediation and homelessness (Open Door and Family Mosaic)	130	(66)		
Alternative Proposals				
CEDU funds to come from additional savings in asset management costs in 2017/18				50
ASC re BATIAS - additional funds to come from care Act Funds		30		

Original savings proposal	Original amount £000	2015/16 £000	2016/17 £000	2017/18 £000
ASC re TCIL - additional funds to come from an underspend in redundancy costs from RVS contract		30		
P&T - The full saving will be made from P&T with an additional one off payment of £50,000 provided through an underspend in public health funds		50		
Children's - Women's Aid - additional funds to come from a service review which will be undertaken and subject to this alternative savings will be made from in house delivery to meet this saving.		23		
Children's & ASC - Mentoring, mediation and homelessness – additional savings will be made in Youth Offending Service and Early Offer of Help to meet these costs. We will also be working closely with housing to identify different ways of working.		66		
Totals		0		0

7.3 Additionally, negotiations around the proposal to cease funding to Citizen's Advice Bureau continue around how a restructured service could be supported at a lower cost to avoid the closure of the service. This is expected to be resolved in January 2015 and, as such, will come back to Cabinet for agreement in February.

8 Essential Living Fund

8.1 In April 2013, the Department for Work and Pensions (DWP) abolished the Crisis Loan and Community Care Grant elements of the Social Fund and transferred the funding previously used to support these to upper tier local authorities in England.

8.2 Local authorities were not placed under any statutory obligations with regard to the use of the funds but the DWP indicated that it expected councils to use these funds to meet local priorities and provide help to those in greatest need. The intention was for local authorities to deliver a 'flexible response to unavoidable need, through a mix of cash and goods and aligning with the wider range of local support local authorities already offer'.

- 8.3 The DWP had nationally allocated £178m towards the Welfare Assistance schemes with Thurrock being awarded £368,757 in both 2013/14 and 2014/15 along with circa £70,000 per annum to administer the scheme.
- 8.4 In 2013/14 the Council spent £155k and are on target to spend approximately the same amount for this current financial year. The under spend for 2013/14 has been carried forward into this financial year.
- 8.5 The Government made it clear that the initial funding was going to be for a two year period then Local Authorities would be expected to absorb this activity through spending from the Revenue Support Grant. Government has now been challenged by way of a judicial review and as a result of this challenge has confirmed it will look into this again and make a decision for 2015/16 in time for the local government settlement in December 2014.
- 8.6 Taking the projected under spend for this year with the actual under spend for last year the Council could, in principle, run a third year based on the same (ELF) scheme for at least another year at no additional revenue cost to the Council and this is a recommendation to this Cabinet.

9 Capital Bids and Resources

- 9.1 Historically, the general fund capital programme in Thurrock has largely been grant led as there is little other resource available through capital receipts or other reserves.
- 9.2 Recent years has seen a commitment to including revenue provision to cover £3m per annum of prudential borrowing for services to bid for and this has largely been allocated to transformation related projects with the balance allocated to public buildings and other services.
- 9.3 Housing, schools and transportation have tended to be limited to their ring fenced budgets through grants and rents although the pressure on schools places has seen prudential borrowing allocated over the last two years.
- 9.4 Prudential borrowing in excess of the £3m has also been allocated to projects where there has been a spend to save business case approved. Simply, the cost of the borrowing is met by corresponding budget reductions within the relevant service.
- 9.5 There is now an asset disposal programme that is generating capital receipts although these have been earmarked over the last two financial years to 'repay' prudential debt to generate revenue savings. Elsewhere on this agenda, the 2014/15 revenue update report shows that there has been a conscious decision not to achieve the target this year as, to do so, would not realise best value on the disposal of those sites. This shortfall should be achieved in 2015/16.
- 9.6 Capital bids have been received to be considered against the £3m available and, as expected, are in excess of the available resources. They are heavily

weighted towards transformation, mainly ICT, and highways where additional information is provided elsewhere on this agenda.

9.7 The table below summarises the bids with more detail provided in Appendix 3.

Summary	2015/16 £000	2016/17 £000	2017/18 £000
ICT	4,916.0	4,240.0	3,000.0
Corporate	3,282.6	2,250.0	-
Highways	4,000.0	-	-
Vehicles	1,070.0	1,304.0	6,652.0
Total	13,268.6	7,794.0	9,652.0

10 Issues, Options and Analysis of Options

- 10.1 The main issue remains around the uncertainty of local government funding and its impact on the MTFS.
- 10.2 There have been a number of proposals considered since July 2014 through the various Overview and Scrutiny Committees and interested parties, the responses of which being fed into final decisions through the Cabinet.
- 10.3 There are still a number of proposals still to be agreed and others not yet delivered – these remain a risk.

11 Reasons for Recommendation

- 11.1 The Council has a legal obligation to ensure that any budget set can be met from the combination of Council Tax, business rates, grants, other income and reserves. Maintaining a Medium Term Financial Strategy is the foundation of this requirement to ensure that Members and officers are aware of the Council's financial position to be able to manage it accordingly.
- 11.2 The reduction in funding to the Council is unprecedented at a time when demand on services is growing, requiring a fundamental change in the way the Council approaches addressing the budget gap and in considering the future shape of the Council going forward. This report recommends the final approval of a number of proposals that have been considered by the relevant Overview and Scrutiny Committee.
- 11.3 The essential Living Fund provides a much needed service to Thurrock's most vulnerable residents. Approval to continue this scheme into 2015/16 is required so that officers can ensure continuity of service.

12 Consultation (including Overview and Scrutiny, if applicable)

- 12.1 The Leader, Portfolio Holders and Directors Board have been consulted on developing the savings proposals. Group Leaders have been offered a

presentation on the budget and MTFS for their groups to understand the overall financial position.

- 12.2 Savings proposals have and will continue to be subject to consultation through Overview and Scrutiny Committees and more widely with the public.
- 12.3 The outcomes of the remaining consultations will feed into the final proposals put forward for decision making at the earliest opportunity as part of a rolling timetable followed by implementation.
- 12.4 Internal consultation with staff on specific proposals, particularly where there is a restructure, will be in line with HR policy and guidelines. Discussions have commenced with Trade Unions.

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

- 13.1 The issues and proposals set out in this report have wide ranging implications for the Council, the way it works and the services it provides. Some of these may actually improve the way the Council does business and the service provided to residents by making them more targeted and efficient, however the cumulative impact of such a significant reduction in budget and the implementation of savings proposals will reduce service delivery levels and our ability to meet statutory requirements and therefore impact on the community and staff. The potential impact of the savings proposals on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.
- 13.2 The Council has commenced a voluntary redundancy process with staff. The outcomes from the process and full impact of the savings proposals on staff will be known over the next few months feeding into the implementation of management actions and decision making for savings proposals.

14 Implications

14.1 Section 151 Comment

Implications verified by: **Sean Clark**

Head of Corporate Finance/S151 Officer

Members will be aware that I have a statutory obligation to complete a statement on the robustness of the estimates when you consider the budget at the February budget meetings. Cabinet have already considered a number of savings and I note significant risk in the delivery of some of these proposals, especially where they relate to demand led services and where savings are dependent on other organisations agreeing or delivering savings. The past four years have demonstrated strong financial management within the Council and this provides me with some comfort that these will be delivered. However, I need to strongly advise that the balance of savings is focussed primarily on where the delivery is within the control of the Council.

This will undoubtedly make decisions for Members more difficult as they are more likely to impact on services that affect residents to a greater degree or conflict with political ambition and narrative.

14.2 **Financial**

Implications verified by: **Sean Clark**
Head of Corporate Finance/S151 Officer

The financial implications are set out in the body of this report. Detailed financial implications will be provided in business cases for each of the proposals.

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. This must also include a consideration of the risk in achieving that budget and so robust monitoring of accepted proposals will be essential throughout the coming years.

Regular budget monitoring reports will 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.

14.3 **Legal**

Implications verified by: **Fiona Taylor**
Head of Legal and Democratic Services

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.

There are no specific legal implications as a result of this report, however, any implications of specific savings proposals will be set out in individual business cases to inform consultation and final decision making.

14.4 **Diversity and Equality**

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

Each savings proposal with changes to the service which requires public consultation will have a detailed business case setting out how the savings will be achieved including the level of service reduction and mitigating actions.

As part of developing the business case a comprehensive Community and Equality Impact Assessment (CEIA) will be completed and informed by any consultation outcomes. Directorates are required to complete a cumulative impact assessment. An assessment of the cumulative impact from all Directorates will be completed by the Community Development and Equalities team to inform final decision making on the savings for 2015/16 and beyond. A summary of the Equality Impact for each of the proposals requiring Cabinet decision at this meeting is included with the proposal at Appendix 1.

It is recognised that there is likely to be a cumulative impact on the voluntary and community sector due to proposals to both reduce core grants and specific grants currently provided by services across the Council, as well as reductions to commissioned services. A full assessment will be completed in consultation with the CVS to determine the implications for the sector and impact on the wider community. A special meeting of Overview and Scrutiny Committee chairs and vice-chairs took place with the voluntary sector on 27 October 2014.

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

Any other significant implications are being identified in each savings proposal business case to inform the consultation process and final decision making.

15 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):

- Budget working papers including previous MTFS
- Budget savings proposals working papers and business cases
- Cabinet reports - 2013/14 Draft Outturn and MTFS Update and Shaping the Council 2015/16 and Beyond, July, August and September 2014

16 Appendices to the report

- Appendix 1: Status of Savings Proposals Requiring Cabinet Decision in December 2014
- Appendix 2: Status of Savings Proposals Requiring Future Cabinet Decision
- Appendix 3: GF Capital Bids

Report Authors:

Sean Clark, Head of Corporate Finance/S151 Officer, Chief Executive's Office

Karen Wheeler, Head of Strategy & Communications, Chief Executive's Delivery Unit