12 September 2018	ITEM: 12
Cabinet	
Revenue Budget Monitoring – Q1 June 2018	
Wards and communities affected: All	**Key Decision:** Key
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance	
Accountable Assistant Director: Jonathan Wilson, Chief Accountant, Corporate Finance	
Accountable Director: Sean Clark, Director of Finance and IT	
This report is public	

Executive Summary

The Council agreed the budget for 2018/19 at its meeting on 28 February 2018 that was not only balanced but projected a surplus of £2.49m. This amount is dependent on the main service budgets remaining within budget and this report sets out the various pressures that are currently being faced within those service budgets and need to be fully mitigated before the surplus can be available for allocation.

Current projections indicate a General Fund service pressure of £1.229m that must be managed in order to outturn within budget by the 31 March 2019 – this deficit is after considerable mitigating action that has already been identified. Pressures include Children's Social Care, No Recourse to Public Funds (NRPF) and increasing waste disposal costs in Environment. Whilst this forecast shows a projected deficit, officers are confident that continuing action will keep the budget within the agreed budget envelope.

The Dedicated Schools Grants (DSG) continues to forecast pressures within the High Needs Block but steps are being taken to manage the position with the service and the Schools Forum in order to address these pressures. The HRA is forecasting a breakeven position whilst the Public Health Grant continues to budget for surpluses that can be carried forward to smooth out the impact of annual grant reductions.

1 Recommendations:

1.1 That Cabinet note the forecast outturn position for 2018/19 and that further mitigation is required to outturn within the agreed budget envelope

2 Introduction and Background

2.1 In February 2018, Council agreed the 2018/19 budget as part of a four year balanced Medium Term Financial Strategy (MTFS). This follows a move towards commercialism, greater efficiencies and a wider investment approach. The budget includes savings of £2.594m 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 2018/19 across the main revenue accounts - the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health.

3 General Fund Position

Directorate	Full Year Budget £'000	Forecast £'000	Variance From Budget £'000
Adults, Housing & Health	38,752	38,712	(40)
Housing General Fund	733	953	220
Children's Services	36,057	36,427	370
Environment & Highways	26,041	26,306	265
Place	9,278	9,278	0
Finance, IT & Legal	11,403	11,245	(157)
HROD	4,370	4,311	(59)
Strategy, Communications & Customer Services	2,699	2,654	(45)
Commercial Services	683	681	(2)
Corporate Costs	(15,004)	(14,326)	678
Total	**115,012**	**116,241**	**1,229**

Adults, Housing & Health - £0.040m underspend

3.1 The Adult Social Care forecast position reflects the funding raised through the Adult Social Care precept, the 2018/19 Adult Social Care support grant, and the allocation of Improved Better Care Fund monies. The position should be viewed in the context of well publicised demand pressures across the Adult Social care sector, and the ongoing financial pressures within the Directorate. There is a degree of uncertainty around future funding and the delayed publication of the Government's Green Paper for Adult Social Care further compounds this.

3.2 One of the major contributing factors to the issues faced is the fragility of the domiciliary care market. Through the Better Care Fund extra resources have been allocated to this area to strengthen both the in-house provision and to support the external market. Thurrock is in the process of reallocating care hours to a number of providers following a large scale retendering process. One of the successful providers has already identified issues with recruitment and retention of staff and this is delaying the transfer of care hours. This has been reflected in the forecast position and will be monitored over the coming months.

3.3 Demand for residential placements (especially for those with Learning Disabilities, autism and challenging behaviours) adds additional budget pressures. This is a very volatile area of the budget and deals with a cohort of people with varying levels of complex needs. The directorate follows a process in which early identification of transitional cases from Children's Social Care is vital in being able to effectively plan appropriate care packages and fully understand the budgetary effect.

3.4 Income towards all placements continues to be a potential budget risk due to the constant reassessment of clients' financial situations and their ability to contribute towards their care packages. This continues to be closely monitored.

3.5 Adult Social Care are able to mitigate these identified pressures in 2018/19 by utilising £0.408m of the Adult Social Care support grant and through close working with Health colleagues to allocate £0.974m of Improved Better Care Funding. Levels of demand and the complexity of cases remain the key issues. Previous trends indicate that there will be additional pressures during the winter period. At present, we are holding a contingency against this, which whilst not committed as present, will be required to meet demand upon the service if these materialise. It is noted this is expected to be needed before the end of the financial year.

3.6 There is currently a forecast underspend of £0.270m in the pooled Better Care Fund. It will be through a collaborative decision making process between ASC and Thurrock CCG to determine the allocation of these funds and to meet the key objective of Central Government to reduce delayed transfers of care from hospitals. Any underspend in the pooled budget at the end of the year will be placed into an earmarked reserve and carried forward to 2019/20 and allocated in the most effective way to reduce identified pressures across both Health and Social Care services.

Housing General Fund - £0.220m overspend

3.7 The Homelessness Reduction Act was introduced from April 2018. The bill places a legal duty on councils to give people meaningful support to try to resolve their homelessness, as well as introducing measures to prevent people becoming homeless in the first place. The increased duty to assist applicants into an alternative accommodation is labour intensive and often requires financial incentives to be offered to relief/prevent homelessness.

3.8 Despite a reduction in the use of Temporary Accommodation, the TA Model continues to show high actual and forecast costs associated with Homelessness placements and this has resulted in a forecast overspend of £0.150m. Placements and costs are being closely monitored on a monthly basis. There is continual work to reduce the use of nightly let private sector accommodation which is the most costly form of accommodation, the service is seeking alternative cheaper accommodation to mitigate the forecast overspend position as well as working towards permanent recruitment of staff and team managers to stabilise the workforce and reduce spend on agency staff.

Households in TA	**April**	**May**	**June**
B&B (Hotels)	6	7	1
Hostels	31	29	31
Private Lettings (Nightly Lets)	57	48	49
Furnished Lets (Council Stock)	51	51	53
Refuge	5	4	3
Total	**150**	**139**	**137**

3.9 In 2018/19, the Homelessness function received £0.347m by way of the Flexible Homelessness Support Grant. This is being used in part to offset the withdrawal of additional Housing Benefit subsidy from the DWP for those in Temporary Accommodation. The Council has also received £0.075m by way of New Burdens funding in 2018/19. Despite receipt of these there is still a forecast overspend position.

3.10 There is a forecast overspend of £0.070m on Travellers relating to Electricity as a result of the supplier increasing charges. The rental income from the three sites will be sufficient to meet the additional costs but the total income achieved will not deliver the surplus projected in the original budget – a challenging target given there are only 64 plots spread across three Travellers sites. The proposed charges for 2019/20 will reflect a more realistic budget for the sites and consideration will be given in future years to capital bids to fund site improvements.

Children's Services – £0.370m overspend

3.11 The service continues to operate in a complex demand led environment. Projections at the end of June indicate a net Directorate pressure of £0.370m after mitigating action. Further work is ongoing to identify possible ways of bringing the position in on budget by the end of the year. The most significant financial pressures are within social care and schools transport. There remains significant inherent risk in placement budgets, managing levels of agency staff and achieving the proposed mitigation.

3.12 The summary position before mitigation is applied is as follows:

Service	Variance
	£'000
Children and Family Services	1,576
Learning & Universal Outcomes	(281)
Central Administration Support and Other	(21)
School Transport	410
Total	**1,684**

3.13 The most significant pressures within social care relate to agency staff, aftercare placements and legal proceedings.

High Risk Area	Variance
	£'000
Employees	1,156
Aftercare	619
Therapeutic Foster Care	260
Adoption & Permanence	211
Disabled Children	144
Legal Proceedings	109
Total	**2,499**

3.14 The most significant variance is in employee spend. This situation has been exacerbated by a number of staffing issues which have delayed permanent recruitment to certain senior posts and necessitated the employment of a number of experienced interim managers. It is anticipated that permanent recruitment will be possible in September. Staffing levels are currently being reviewed with a view to improving this position and reducing the forecast overspend. The ongoing initiative to replace agency workers with permanent staff continues to progress.

3.15 Placement budgets continue to be closely monitored with close scrutiny of high cost placements. This is a volatile area which can be impacted by a single very high cost complex need case. Regular review of placements will continue to ensure better value and more appropriate placements for young people.

3.16 School transport forecasts are based on current awards across the academic year. Work continues to manage the award of transport such as adding additional authorisation and providing training for staff.

3.17 The following mitigation has been identified to address the forecast overspend. This is primarily through the receipt of one-off income through the Troubled Families recovery plan, an in-depth review of aftercare placements and outputs from ongoing service reviews. None of the items are guaranteed and will require ongoing commitment to achieve. Even in delivering the items below, there still remains a net overspend of £0.370m that needs to be addressed.

Mitigating Action	**£'000**
Troubled Families Recovery Plan income	(650)
Review Aftercare placements , Housing Benefit and grant income	(328)
Nurseries to breakeven	(80)
UASC grant c/f	(70)
Service Review – Agency staff to use full leave entitlement	(12)
Service Review – ASYE 2 for 1	(85)
Service Review – Head Start Housing	(19)
Service Review – Sunshine Centre	(11)
Service Review – Transport assessments	(60)
Total	**(1,315)**
Mitigation Required	**1,685**
Net Pressure	**370**

3.18 The mitigated position includes one-off income expected through the delivery of the Troubled Families recovery plan which is being closely monitored through the Brighter Futures Board. This assumes that attachment and payment by results funding is achieved in line with the plan. There is ongoing risk to securing all required attachments and sufficiently evidencing outcomes, however, attachments made by the end of June 2018 are in line with profile. Internal Audit are reviewing the first tranche of payment by results evidence for submission by the end of August. It should be noted that this is not an ongoing revenue stream.

3.19 Aftercare placements are undergoing an in-depth review to ensure placements are in cost effective accommodation and young people are transferred into appropriate accommodation when they reach 18 years old. Ensuring that available grant and Housing Benefit claims are completed will improve the position.

3.20 The ongoing service review of children's social care and transport has identified options for in-year savings. This has been included in the mitigating action above. Business cases are due at Directors' Board in September.

3.21 Nurseries are currently projecting to overspend. They operate on a breakeven budget and are expected to fund their expenditure through the income they generate. Due to the way the nursery funding operates, it is anticipated that the service will breakeven by the end of the financial year. Discussions continue with the Corporate Director and DMT in order to identify further mitigating action to manage the reported net overspend.

Environment & Highways - £0.265m overspend

3.22 The Directorate is currently forecasting an overspend position of £0.265m after mitigation. The main pressures and risks are outlined below, however, the most significant risk is the waste disposal position. In year increases in waste tonnages or quarterly changes to contract prices would impact the reported position.

3.23 There has been strong performance against the Directorates external income position with trade waste, enforcement and parking all ahead of profile at the end of the first quarter. The most significant pressures being managed by the service are set out below.

3.24 Following the agreement of the waste disposal budgets for 2018/19, there were contract variations which meant that the forecast spend for recycling had increased substantially for quarter 1 resulting in a pressure of £0.268m. The fees in these contracts are determined relative to market values which are published independently. As rates are recalculated quarterly, this pressure could increase.

3.25 Street Lighting is forecasting pressures in electricity and private contractors. Large savings were expected in both of these areas in 2017/18 as a result of the roll-out of the LED programme. Although the majority of these savings were made, the repayment of the Salix loans internally continues to cause a pressure.

3.26 The Waste Collection pressure relates to agency staff and fuel. An additional unbudgeted round is currently operating and Management are considering all options available to improve the service being provided and reduce the ongoing pressure.

3.27 Depot Management pressure of £0.215m is forecast. Business rates are still being paid for both Oliver Close depot and Curzon Drive. The depot at Curzon Drive was due to be demolished at the end of 2017, however, there were delays due to external factors which has meant that business rates have been charged for 2018/19. There is scope for a part-year rebate on these and this is currently with the Valuations Office Agency.

3.28 There are further risks that need to be monitored over the course of the year which include the items below.

3.29 Contract variations could mean a risk to other waste disposal budgets contracts – although these are expected to be much less volatile.

3.30 The pressure on the winter maintenance budgets in 2018/19 will depend on the severity of the winter.

3.31 The forecast for fly-tipping is difficult to predict – however trends for different types of fly tips (specialist, industrial, household and cars, caravans and trailers) will be captured using new project codes in this area which will separate out the costs of clearing different kinds of fly tips.

3.32 There is a risk regarding capital recharging of staff time. This is based on the amount of time individual members of staff spend working on capital schemes. There is a risk that not enough time is able to be capitalised in order to meet the budgeted recharge levels.

3.33 Highways spend is also difficult to predict against the reactive budgets earlier in the year.

Place - breakeven

3.34 The Place directorate is forecast to meet the budgeted spend for the year. There are some areas of risk as set out below.

3.35 Thurrock is in the process of applying for a Planning Performance Agreement (PPA) with Highways England regarding the Lower Thames Crossing. If this is not secured, or if it is secured without sufficient funding, there is a risk to a budgeted income contribution to the salary of the Assistant Director Lower Thames Crossing post.

3.36 Additional funding will be required in future years in respect of the Lower Thames Crossing. This is to resource the Council's role in engaging and influencing the Development Consent Order process. We are waiting for programme information from Highways England in order to be able to plan what that resource and potential cost may look like.

3.37 There is also a risk regarding capital recharging of staff time to capital schemes. There is a risk that not enough time is able to be capitalised in order to meet the budgeted recharge levels Options are being investigated to manage the risk.

Finance, IT & Legal - £0.157m underspend

3.38 The Directorate is forecasting a small underspend primarily due to employee savings across a number of services. The ICT service is reporting a breakeven position against the directorate budget with an associated underspend of £0.526m reported against the service review target.

3.39 There is a pressure against insurance budgets due to the ongoing academisation of schools and hence fewer buying into the service. The main risk to the position is achieving the Fraud income target.

HROD – £0.059m underspend

3.40 The Directorate is currently forecasting a small underspend with no major variances to report.

Strategy, Communications & Customer Services – £0.045m underspend

3.41 The Directorate is forecasting an underspend in Customer Services mainly within employee budgets.

Commercial Services – £0.002m underspend

3.42 The Directorate is currently forecasting a small underspend with no major variances to report.

Central Expenses - £0.678m overspend

3.43 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.

3.44 The reported pressure relates mainly to spend on families with no recourse to public funds that have no legal status. There is a continuing focus on current placements and new presentations made to the council. Work continues with the Home Office and the Fraud team.

3.45 Allocation of the £0.930m service review target continues as the ongoing service reviews progress. The main reviews being undertaken this year are Children's Social Care, Transport, ICT, Business Resource and Planning. The majority of the target is to be achieved this year within ICT (£0.526m) and Planning (£0.077m), supported by in-year mitigation of £0.187m within Children's (as reported within the Children's Service position). The remaining £0.140m is currently work in progress. Completion of the Children's and Transport reviews this year are expected to deliver savings against the 2019/20 service review target.

4 Housing Revenue Account

	Full Year Budget £'000	**Forecast £'000**	**Variance from Budget £'000**
Repairs and Maintenance	11,798	11,798	0
Housing Operations	11,605	11,625	20
Financing and Recharges	24,315	24,315	0
Rent and Income	(48,077)	(48,097)	(20)
Development	359	359	0
Total	**0**	**0**	**0**

4.1 The HRA is forecast to breakeven in 2018/19. There are some minor variances, but no overall pressure within existing budgets to report at this stage. There are a number of risks that we are closely monitoring and factoring into spending plans.

4.2 In line with Government Policy, the Council has applied a 1% rent decrease over the last 3 financial years with a further 1% reduction required in 2019/20. This has reduced resources available for capital investment.

4.3 The HRA currently has unused borrowing headroom of £16.97m. This is all allocated to the current New Build programme and cannot be used to fund any other capital investment due to the conditions attached to it. In late June the government launched its bidding for the Housing Revenue Account £1 billion additional borrowing programme. Thurrock has been identified as an area in High Affordability Need and is therefore eligible to bid.

4.4 Capital Investment in Existing Stock – the stock condition survey indicates an average annual investment of £15m. The Transforming Homes budget for 2018/19 is £10.668m and the HRA Business Plan includes approx. £10m per annum and even this level is not sustainable into the medium or long term.

4.5 The potential returning of 1-4-1 RTB receipts due to both slippages in the existing programme and the completion of the existing programme in 2020/21 is a significant risk. There are no resources available in the HRA to future fund 70% of capital spend to enable the use of the receipts. Officers are looking at other options with RP's and also making use of GF resources.

4.6 The proposed Grounds Maintenance Charge was not introduced in 2017/18 after initially being agreed by Cabinet which has also reduced the resources available in the HRA. Grounds Maintenance accounts for £1.3m of expenditure in the HRA annually with Leaseholders making a small contribution. By not charging tenants for all the services provided to them, the rents of all tenants are effectively subsidising the costs and the resources in the HRA for Capital investment are not being maximised.

5 Public Health

5.1 The 2018/19 allocation of the Public Health Grant was subject to a 2.5% reduction which equated to £0.291m. The 2018/19 allocation has been allocated against ongoing contracts and existing staffing commitments. The Public Health Team have identified a number of new initiatives within the conditions of the grant with the intention to invest in GP practises to deliver improved services and better outcomes for the people of Thurrock. The progress of these pilots will be closely monitored throughout the year. Any underspend will be placed into an earmarked reserve and reallocated in 2019/20 to ease budget pressures that have been identified as a result of a further indicative reduction of 2.6% which equates to £0.292m.

Public Health	**£'000**
2018/19 grant allocation	(11,042)
2017/18 carry forward	(377)
Estimated 2017/18 spend	10,985
Funding committed to 2019/20 – 2020/21 Programmes	**(434)**

6 Dedicated Schools Grant (DSG)

6.1 Current projections indicate pressures of £3.250m in the DSG within the High Needs Block and Schools Block. As set out below, work continues with the Schools' Forum to bring this into line with available resources whilst also recovering prior year deficits.

6.2 Council officers recently met three officers from the DfE to discuss this issue. It should be noted that Thurrock was just one of many authorities around the country that the DfE are meeting to put together a national picture of the pressures and to gain a greater understanding.

6.3 The total allocation for 2018/19 is £50.095m after Academy recoupment and is reported as:

	Funding Settlement	Academy Recoupment	Total	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000
Schools	115,973	(96,533)	19,439	19,590	150
Central Services	2,038	0	2,038	2,038	0
High Needs	22,311	(5,414)	16,898	19,998	3,100
Early Years	11,720	0	11,720	11,720	0
Total	**152,043**	**(101,947)**	**50,095**	**53,345**	**3,250**

6.4 Early reporting is forecasting the following pressures for 2018/19:

Schools Block

6.5 The budget available to support pupil growth in 2018/19 is £1.47m, initial projections indicate a funding requirement of £1.62m, an overspend of £0.150m. This reflects the growth in pupil numbers being experienced within Thurrock schools. This will continue to be monitored and updated. DfE to introduce a new formula for 2019/20, guidance and indicative allocations are expected in the second half of 2018. At this stage it is unknown if this will be an ongoing pressure.

High Needs Block

6.6 The outturn position for 2017/18 was an overspend of £3.2m. No actions have been implemented to restrict expenditure in 2018/19 and initial projections indicate a pressure of £3.1m. This can be broken down into three key areas:

- Home to School Transport £1.2m
- Top Up Values £2.4m
- Transfer from Schools Block (£0.5m)

6.7 The Secretary of State in February, as part of the disapplication process, approved the transfer of £1.8m from Schools Block to support the 2016/17 deficit of £1.3m and a further £0.5m to support high need pressures in 2018/19.

6.8 A review of the DSG budgets and expenditure took place over the summer to inform an options paper to be presented to the Schools Forum in September.

This work will deliver a sustainable budget from 2019/20, whilst also delivering some in-year mitigations.

6.9 The DSG has a carried forward deficit of £2.7m from 2017/18. This, along with the projected overspend in 2018/19, is being considered as part of the review of the DSG and in considering the 2019/20 and 2020/21 school funding settlement.

7 External Income

Fees & Charges	**Budget £'000**	**Forecast £'000**	**Variance £'000**
Adults	(1,521)	(1,499)	22
Children's	(1,174)	(1,041)	133
Environment & Highways	(2,299)	(2,829)	(530)
Housing GF	(413)	(413)	0
Finance, IT & Legal	(25)	(49)	(24)
Place	(2,845)	(2,894)	(48)
Total	**(8,277)**	**(8,724)**	**(447)**

Traded	**Budget £'000**	**Forecast £'000**	**Variance £'000**
Children's	(3,737)	(3,709)	28
Environment & Highways	(341)	(508)	(166)
Finance, IT & Legal	(1,336)	(1,263)	73
HROD	(284)	(276)	8
SCCS	(205)	(205)	0
Place	(34)	(34)	0
Total	**(5,937)**	**(5,995)**	**(57)**

7.1 As at the end of Quarter 1, the full year forecast for external income is a surplus of £0.504m across both fees and charges and traded income streams.

7.2 Children's – pressure of £0.133m within fees and charges due to lower income expectations within Grangewaters and Nurseries. Both services have breakeven budgets. Grangewaters is forecasting a corresponding reduction in spend to deliver within budget. Nurseries are forecasting an overall pressure, however, due to the way the nursery funding operates, it is anticipated that the service will breakeven by the end of the financial year.

7.3 Environment & Highways – surplus of £0.530m within fees and charges primarily within Parking and Enforcement. The traded surplus of £0.166m is mainly due to strong performance within the trade waste service. Both surpluses are within the Directorate forecast and contributing to managing wider service pressures.

7.4 Finance, IT & Legal – pressure of £0.073m in traded income due to the ongoing academisation of schools and hence fewer buying into the service. This is mainly within Insurance and financial services.

8 Reasons for Recommendation

8.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2018/19 along with actions to mitigate these pressures and deliver a breakeven position.

9 Consultation (including Overview and Scrutiny, if applicable)

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

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

10.1 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.

11 Implications

11.1 Financial

Implications verified by: **Carl Tomlinson**

Finance Manager

The financial implications are set out in the body of this report.

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports continue to come to Cabinet and be considered by the Directors Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

11.2 **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.

11.3 **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.

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

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

12 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.

13 Appendices to the report

None

Report Author:

Carl Tomlinson

Finance Manager

Finance and IT