13 March 2019	ITEM: 13 Decision: 110510

Cabinet
Revenue Budget Monitoring – Quarter 3 2018/19

Wards and communities affected:	Key Decision:
All	Key

Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance
Accountable Assistant Director: Jonathan Wilson, Assistant Director - Finance
Accountable Director: Sean Clark, Director of Finance and IT
This report is public

Executive Summary

This report presents the forecast outturn position for 2018/19 as at the end of December 2018.

Current projections indicate a General Fund pressure of £0.373m that must be managed in order to outturn within budget by the 31 March 2019. Identified pressures include Children's Social Care and Environment primarily due to increasing waste 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. Action has been taken to address the position within the DSG through ongoing management of the position and additional funding. The HRA continues to forecast a breakeven position.

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 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 grant.

3 General Fund Position

Directorate	Full Year Budget £000	Forecast December £000	Variance From Budget £000
Adults, Housing & Health	38,705	38,695	(10)
Housing General Fund	733	1,103	370
Children's Services	36,489	37,259	770
Environment & Highways	26,049	26,437	388
Place	9,819	9,814	(5)
Finance, IT & Legal	10,903	10,630	(273)
HROD	4,297	4,085	(212)
Strategy, Comms & Customer Services	2,698	2,587	(111)
Commercial Services	683	642	(41)
Corporate Costs	(15,417)	(15,920)	(503)
Total	**114,959**	**115,332**	**373**

Adults, Housing & Health - £0.010m underspend

3.1 Thurrock's £0.654m share of the recently announced £240m National funding to ease Winter Pressures for 2018/19 has now been allocated in line with the Government's intention to reduce delayed transfers of care from hospitals. In conjunction with CCG colleagues the Directorate have identified a number of short-term initiatives which will increase capacity within the domiciliary care market, improve pathways for patients leaving hospital who require ongoing social care support and pilot the use of technology in care homes. The funding will also be used to mitigate budget pressures identified within existing services as a result of fluctuations in demand.

3.2 Residential placements for people with learning disabilities, autism and challenging behaviours remain a financial risk due to their varying complexity of needs often leading to the requirement for additional expensive one to one support packages. Placements are regularly reviewed and transition cases from Children’s Social Care are identified early so the most appropriate care plan can be formulated and the impact on resources fully understood.

3.3 People requiring support for mental health issues are a growing concern for the department and will require a new approach to the way services are provided in the future. This could impact the way in which resources are allocated.

3.4 There is currently £0.148m forecast underspend in the 2018/19 Better Care Fund’s main pool and this will be placed into an earmarked reserve and carried forward to 2019/20 to be allocated in the most effective way to reduce identified pressures across both Health and Social Care services.

Housing General Fund - £0.370m overspend

3.5 The service forecast remains the same as at the end of Q2. The key cause of this is homelessness.

3.6 The implementation of the Homelessness Reduction Act in April 2018 has brought about significant changes to the delivery of homeless services by the Housing Solutions Team. The requirement to provide homelessness services to everyone who is ‘eligible’ and ‘homeless’, regardless of ‘priority need’ and ‘intentional homelessness’ has resulted in significantly more people being provided with assistance. The increase in demand, and the wider changes the implementation of the act has brought about, necessitates a rethink of the previous service delivery model to ensure there are sufficient front line resources and housing options to support the prevention agenda and minimise the need to place customers into costly temporary accommodation.

3.7 Since last quarter the overall number of Households in Temporary Accommodation increased by 22 to 148 with no households in Bed and Breakfast.

3.8 The number of homeless applications that were taken for the same period in 2017 totalled 1,023, an increase of 19%. The year-end total number of approaches for 2017/18 was 1,395. Should the trend continue we are likely to complete 2018/19 with 1,556 applications a 14% increase from the previous year. In addition the new ‘prevention’ and ‘relief’ duties owed each last for 56 days. Hence applicants are also being assisted for a longer period and cases also need to be regularly reviewed.

3.9 With the significant increase in numbers of households to whom we have a duty the council is increasingly using the private rented sector for both temporary and permanent accommodation. The council works with private sector landlords to ensure that any accommodation they provide is safe, suitable and secure. This includes providing financial assistance that would have been offered to the homeless applicant direct to the landlord. This is usually in the form of rent deposit and rent guarantees. In addition the council encourages landlords to offer longer term tenancy agreements.

3.10 Another important factor impacting on service delivery has been the significant increase in the number of people that are presenting in a crisis as ‘homeless today’. Unfortunately we do not have comparator figures for the same period in 2017/18 as these were not previously recorded. However, it is clear that crisis cases have increased with officers having to deal with many more unplanned presentations with an associated impact on resources, and consideration for temporary accommodation.

Children’s Services – £0.770m overspend

3.11 The service continues to operate in a complex environment. The overall pressure is a combination of employee costs and pressures within aftercare, fostering and adoptions. Projections indicate a net Directorate pressure of £0.770m 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 school transport. There remains significant inherent risk in placement budgets, managing the cost of agency staff and achieving the proposed mitigation.

3.12 The summary position including mitigation is as follows:

Service	**Variance**
	£’000
Children and Family Services	1,166
Learning & Universal Outcomes	(594)
Central Administration Support and Other	(144)
School Transport	341
Total	**770**

3.13 The most significant pressures within social care relate to agency staff, aftercare placements, adoption and fostering. The position has worsened due to additional employee spend following contract extensions and projected increases in fostering and adoption costs following a further review.. This has been partially offset by an improved position within troubled families.

High Risk Area	**Variance**
	£’000
Employees	1,327
Aftercare	226
Therapeutic Foster Care	283
Adoption & Permanence	329
Fostering	103
Disabled Children	215
Legal	(25)
Troubled Families	(243)
Total	**2,215**

3.14 The most significant variance is in employee spend. The ongoing initiative to replace agency workers with permanent staff continues to progress and a new initiative to provide additional support for social workers in the first year of practice has been implemented. This will further improve the position in relation to agency social workers. The department has also been successful in recruiting permanent managers to frontline social work positions.

3.15 Spend on adoption and fostering payments and special guardianship orders continues to be over budget - a thorough review of payments continues.

3.16 Placement budgets continue to be closely monitored with particular scrutiny of high cost placements. This is a volatile area which can be impacted by a single high cost complex need case. Regular review of placements will continue to identify the most effective solutions are put in place.

3.17 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. It is anticipated that from 2019/20 further savings will be realised through a re-procurement of existing transport routes.

3.18 The position includes one-off income expected through the delivery of the Troubled Families recovery plan through successful attachment and payment-by-results outcomes. There continues to be risk in securing all required attachments and sufficiently evidencing outcomes and current performance is behind profile. The revised profile has reduced income projections in this year with corresponding movement into next year. The position continues to be closely monitored through the Brighter Futures Board. It should be noted that this is not an ongoing revenue stream.

3.19 Ongoing review of Aftercare placements continues to ensure young people are transferred into appropriate accommodation when they reach 18 years old. Ensuring that available grant and Housing Benefit claims are completed should 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 position above. Business cases were agreed at Directors Board in September.

Environment & Highways - £0.388m overspend

3.21 The Directorate is currently forecasting an overspend position of £0.388m after mitigation. This forecast is an improvement of £0.010m on Q2.

3.22 The most significant pressures being managed by the service are set out below:

Service Area	Variance £000
Waste Collection	322
Street Lighting	305
Trade Waste Income	(158)
Enforcement Income	(201)
Other net pressures	120
Total	**388**

3.23 The directorate has taken many actions this year to manage the budgets and control spend; including budget challenge sessions with all budget holders to reduce discretionary spend, only undertaking essential recruitment and an ongoing exercise to replace agency staff with fixed term staff. There has also been considerable and successful challenge of spend on the waste disposal contracts as well as a communications campaign to support residents putting rubbish into the correct bin to reduce contamination.

3.24 Waste Collection pressure of £0.322m relates to agency staff, fuel, an additional unbudgeted refuse round and a pilot of shunter drivers to address increased workload both on domestic and trade waste services. Work is ongoing to address performance issues and review conversion of agency staff to permanent.

3.25 Street Lighting pressure of £0.305m relates to projected additional maintenance and electricity costs following detailed review. The maintenance cost is partly reactive as it relates to how many faults are reported and how many lighting columns are damaged.

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

- Contract variations could mean a risk to other waste disposal budget contracts – although these are expected to be much less volatile;

- The forecast for fly-tipping is difficult to predict – however new codes have been set up to capture trends for different types of fly tips

- Highways spend is also difficult to predict against the reactive nature of the service and weather conditions can create variables.

- There is a risk around the achievement of Highways permit income. The budgeted income target is £0.449m. However, the actual permit income that has been received up to the end of period 9 is £0.290m, primarily due to larger schemes preventing a number of smaller schemes taking place. The Network Manager and Strategic Lead for this area believe that this target will be met by year end and have recruited an additional agency inspector to increase income going forward. Monthly meetings have been scheduled with the service to discuss permit income in greater detail.

- There is risk relating to the achievement of parking income. The income received has been inconsistent and there have also been issues with the new contractor collecting cash payments, impacting on forecasting. In addition, the owners of the multi-storey car park have introduced a new payment schedule from November, which offers three hours of free parking. This is likely to reduce the parking income earned for parking in council car parks and on-street parking in Grays. This will be monitored closely to assess the impact.

- There is a further risk around Street Lighting, particularly regarding maintenance costs. These are partly reactive so the cost depends on the number of lighting columns damaged and the number of faults reported.

- The severity of the winter can be difficult to predict, however recent weather updates show we are likely to have an average to bad winter. However, if the winter worsened this may create additional cost as a direct result of increased gritting.

Place - £0.005m underspend

3.27 The Place directorate is due to underspend by £0.005m which is an improvement of £0.014m on Q2.

3.28 There are currently pressures within the Corporate Landlord service with a forecast overspend in this area. At present, this overspend is being offset by underspends in the wider Property & Development service. However, there is a risk that if the Corporate Landlord forecast continues to increase it will create a real pressure on the bottom line for the Directorate.

3.29 Conditions surveys are being completed and actions are identified from these will enable a schedule of the required repairs and maintenance work to be identified. The programming of these works may impact this year's outturn position but the wider concern is the ongoing impact which will be considered when setting the 2019/20 revenue and capital budgets.

Finance, IT & Legal - £0.273m underspend

3.30 The Directorate is forecasting an underspend primarily due to employee savings across a number of services and an improved position within Legal. Following permanent recruitment within the Legal service the agency forecast has now been revised down. Service Review savings have been allocated to service areas and consequently the ICT budget has been reduced by £0.526m in line with agreed target.

3.31 There is a pressure against insurance budgets due to the ongoing academisation of schools and hence fewer buying into the service. This will be addressed in budget setting for 2019/20.

HROD – £0.212m underspend

3.32 The Directorate is currently forecasting to underspend with no major pressures to report.

Strategy, Communications & Customer Services – £0.111m underspend

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

Commercial Services – £0.041m underspend

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

Corporate Costs - £0.503m underspend

3.35 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 underspend follows an improved Treasury forecast.

3.36 Allocation of the £0.930m service review target continues as the ongoing service review's 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).

3.37 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	11,995	197
Housing Operations	11,605	11,558	(47)
Financing and Recharges	24,315	24,218	(97)
Rent and Income	(48,077)	(48,130)	(53)
Development	359	359	0
Total	**0**	**0**	**0**

4.1 The Housing Revenue Account (HRA) budget was set at a breakeven budget at the February 2018 Cabinet. The December 2018 monitor is forecasting a breakeven position overall with some small variances being reported within the different areas.

4.2 There are a number of risks that we are closely monitoring and factoring into spending plans. The overspend on repairs and maintenance results primarily from unplanned spend to a former contractor and additional highways works.

4.3 The base budget is sufficient to meet the requirement of repairs delivery in 2018/19. This overspend is mitigated by a forecast increase in rental income due to a slight reduction in RTB sales against those assumed in the budget and a reduction in resources available for capital investment.

4.4 There is an improvement on the housing operations forecast due to a reassessment of the projects to be delivered from this budget. The projected underspend on Rent and Income reflects an increase to the bad debt provision following a revised assessment of rent arrears.

4.5 The potential returning of 1 for 1 Right to Buy receipts due to both slippages in the existing programme and the completion of the existing programme in 2020/21 remains a risk. There are limited resources available in the HRA to future fund 70% of capital spend to enable the use of the receipts. The Government is currently consulting on proposals to relax some of the rules governing the use of 1 for 1 Right to Buy receipts which could see an extension of the three year deadline up to five years and allowing companies in which the local authority has a formal interest, or even controlling interest, to use the receipts to build. In advance of any decision by central Government, officers are looking at other options to minimise the risk of having to return receipts to the Treasury and to maximise the benefit to the borough by bringing more social homes into use including working with RP's and also making use of General Fund resources to, for example, buy back homes previously sold under the right to buy.

4.6 Based on current forecasts the Council may have to pay up to £2.6m back to the treasury with interest in the region of £0.338m at the end of 2018/19.

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 grant funding has been allocated against ongoing contracts, existing staffing commitments and a number of new initiatives which meet the conditions of the grant. A number of pilots have been initiated in-year with the intention to deliver improved services and better outcomes for the people of Thurrock by investing in GP practices which continue to be monitored to determine their success. Many of these Pilots have had elements of slippage from GP's signing onto the framework later than anticipated. Underperformance from demand led contracts with health providers in this quarter has also led to claw backs of the grant. Any underspend as a result of these schemes 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 grant reduction of 2.6% (which equates to £0.292m).

Public Health	£'000
2018/19 grant allocation	(11,042)
2017/18 carry forward	(377)
Estimated 2018/19 spend	10,867
Funding committed to 2019/20 programme	**(552)**

6 Dedicated Schools Grant (DSG)

6.1 As part of the review of the DSG, a number of initiatives have been actioned to improve compliance with regulations and develop mitigation whilst long term solutions are developed. These included:

Schools Block

6.2 Cabinet has approved the phased introduction of the National Funding Formula in 2019/20 with full implementation in 2020/21.

Central Schools Services Block.

6.3 A review has been undertaken of all expenditure ongoing to ensure compliance with regulations and to ensure value for money is achieved. A new DSG coding structure to be implemented and budgets realigned for 2019/20 and 2018/19 where possible.

High Needs Block

6.4 The following actions have been implemented for 2018/19:

- Top up Hourly Rate will decrease from £11.85 to £10 from April 2018.
- Review of place funding to Special Schools, Resources and Alternative Provisions.
- School Funding 2019/20 to again be top sliced by £1.843m to support High Needs Block.
- Ongoing review of all expenditure to ensure value for money.

6.5 Work will continue to deliver affordable solutions within the funding available.

Early Years Block

6.6 Increased rate to providers were implemented from April 2018. For 2019 a further formula review will be undertaken to target funding using deprivation indicators.

Dedicated Schools Grant Financial Position 2018/19

6.7 The tale below reflects the updated DSG allocation for 2018/19. Current projections indicate pressures of £1.733m. The position has changed due to the continued increase in demand for specialist places, EHCP and Home to School Transport.

	Funding Settlement	Academy Recoupment	Total	Projected Outturn	Variance
	£m	£m	£m	£m	£m
Schools	115.473	(96.533)	18.940	19.090	0.150
Central Services	2.038	0	2.038	2.038	0
High Needs	23.093	(5.414)	17.679	19.069	1.390
Early Years	11.568	0	11.568	11.568	0
Total	152.173	(101.947)	50.225	51.765	1.540

6.8 At Period 9 the following key pressures for 2018/19 are forecasted:

- Schools Block £0.150m – Support provided for pupil growth in 2018/19.
- High Needs Block £1.167m – Home to School Transport
- High Needs Block £0.223m – Specialist placements and EHCP

DSG Reserve

6.9 The DSG has a carried forward deficit of £2.7m from 2017/18. This along with the projected overspend in 2018/19 will need to be considered as part of the final accounts 2018/19 and 2019/20 budget.

7 External Income

7.1 As set out in the table below the full year forecast for external income is a surplus of £0.864m across both fees and charges and traded income streams. This is an improvement on last quarter of £0.440m due primarily to the traded income forecast in Place.

7.2 Children's – pressure of £0.165m within fees and charges due to lower income expectations within Grangewaters and Nurseries. Both services have breakeven budgets and are forecasting a corresponding reduction in spend to deliver within budget.

7.3 Environment & Highways – surplus of £0.278m within fees and charges primarily within Enforcement. The traded surplus of £0.187m 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 £0.210m in traded income is mainly due to the ongoing academisation of schools, and hence fewer buying into the service within Insurance and financial services. In addition there are pressures in achieving the ICT and Fraud income targets in non-school markets. The adverse movement is due to revised projections in Fraud.

7.5 Place – continues to report a surplus on fees and charges income across a number of service areas. The movement in traded income is due to an improved forecast in Development Control.

Fees & Charges	Budget £'000	Forecast December £'000	Variance £'000
Adults	(1,521)	(1,314)	207
Children's	(1,168)	(1,003)	165
Environment & Highways	(2,311)	(2,590)	(278)
Housing GF	(413)	(413)	0
Finance, IT & Legal	(25)	(100)	(75)
Place	(2,922)	(3,798)	(876)
Total	**(8,361)**	**(9,218)**	**(858)**
Traded	**Budget £'000**	**Forecast December £'000**	**Variance £'000**
Children's	(3,743)	(3,696)	47
Environment & Highways	(341)	(529)	(187)
Finance, IT & Legal	(1,336)	(1,126)	210
HROD	(284)	(261)	23
SCCS	(205)	(153)	53
Place	(34)	(186)	(152)
Total	**(5,944)**	**(5,950)**	**(6)**

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**

Assistant Director of Law and Governance & Monitoring Officer

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 Manager

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

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