

<b>11 March 2020</b>		<b>ITEM: 10</b>
<b>Cabinet</b>		
<b>Quarter 3 Financial Report</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance		
<b>Accountable Assistant Director:</b> Jonathan Wilson, Assistant Director Finance, Corporate Finance		
<b>Accountable Director:</b> Sean Clark, Corporate Director of Finance, Governance and Property		
<b>This report is public</b>		

## **Executive Summary**

This report presents the forecast outturn position for the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health Grant.

### **Revenue Position – 2019/20 Quarter 3**

The current forecast position is a £1.703m pressure. This reflects allocation of the budget surplus to deal with specific pressures within Children’s Social Care, Homelessness and reduced investment income totalling £2.217m. These were identified at quarter 2 and Cabinet have confirmed the funding of these from the surplus.

Officers are working to identify mitigation to deliver a balanced budget position by the end of the financial year.

The Dedicated Schools Grant (DSG) continues to forecast pressures within its High Needs Block to the value of £1.061m and work is ongoing with both the service and the Schools Forum to identify ways to address these issues in the longer term.

The Housing Revenue Account (HRA) have identified a number of budget pressures but continue to forecast a breakeven position.

The Public Health Grant is fully committed against appropriate spend in line with the grant conditions.

## 1. Recommendations:

- 1.1 That Cabinet note the revenue forecast outturn position for 2019/20 and that further mitigation is required to outturn within the agreed budget envelope.

### Revenue Position

## 2. Introduction and Background

- 2.1. In February 2019 Council agreed the 2019/20 budget in line with the balanced MTFS. The Authority continues to pursue an investment approach and to further identify efficiencies across all service areas through the strategic boards. The budget includes savings of £0.900m identified as part of the Council Spending Review and a further £0.500m for workforce efficiencies.
- 2.2. The report sets out the latest forecast position for 2019/20 across the main revenue accounts – the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health grant.
- 2.3. The summary forecast position for the General Fund is set out below:

Directorate	Revised Budget	Forecast Outturn (Q3)	Variance to budget
	£000	£000	£000
Adults, Housing and Health	39,746	40,335	589
Children's Services	39,711	40,777	1,066
Commercial Services	757	757	0
Environment and Highways	28,343	28,343	0
Finance, Governance and Property	16,436	16,707	271
Housing General Fund	1,014	1,014	0
HR, OD and Transformation	4,772	4,570	(202)
Place	5,287	5,287	0
Strategy, Communications & Customer Services	2,919	2,898	(21)
<b>Service Total</b>	<b>138,985</b>	<b>140,688</b>	<b>1,703</b>
Corporate costs, Treasury & Financing	(138,985)	(138,985)	0
<b>Total</b>	<b>0</b>	<b>1,703</b>	<b>1,703</b>

- 2.4 A summary of the allocation of the budget surplus to date is set out in the below table:

*Allocation of Budget Surplus	£000	£000
<b>Original Surplus</b>		<b>5,803</b>
Committed against outturn pressures:		
Investment income shortfall	1,287	
Homelessness	330	
Children's Services	600	
		2,217
Remaining balance allocated by Cabinet		3,586
<b>Total committed</b>		<b>5,803</b>

### 3. General Fund

#### Adult Social Care - £0.589m overspend

- 3.1 Adult Social Care operates within a demand led environment subject to financial risks arising from exposure to low volume high cost placements. These are predominately related to people with complex learning disabilities and/or mental health conditions where the availability of suitable placements is limited and can be very costly. The position reported reflects the anticipated financial position at year-end as the financial risk has crystallised in relation to specific cases. This relates to a combination of one specific complex case and a small number of additional cost care packages within learning disability and complex care placements. These have created a pressure of £0.471m.
- 3.2 The Section 117 Review is underway to ensure the Local Authority's contributions towards existing mental health packages are at appropriate levels and that outcomes are in line with Care Act Legislation. There remains close scrutiny of high cost placements and a dedicated Mental Health panel for approval of new packages.
- 3.3 The fragility of Domiciliary Care remains a concern despite receiving some additional funding through the Improved Better Care Fund. Although improving, there remains instability within the market with providers experiencing ongoing issues with recruitment and retention of staff. This is a situation which is being demonstrated nationally and it is recognised that the way in which homecare is delivered as a service needs to be transformed.
- 3.4 Thurrock are trialling Wellbeing Teams in an attempt to redesign homecare and deliver sustainability on a longer term basis though this transformational pilot. In the current financial year however, there has been a continued demand on the service which has resulted in additional hours having to be provided. The service continue to closely monitor the use of both agency staff and overtime.
- 3.5 Through effective management of the waiting lists the Council currently has one of the best delayed discharge from hospital performances in the region. This also helps prevent care needs for individuals from deteriorating and

enables people to live in their own homes. Regular reviews of the waiting list arrangements continues at an operational level.

- 3.6 Providers within the Residential Care Home sector have identified concerns with the fees received for placements made under Thurrock Council contract rates. One care home has closed as the size of the home made it financially unviable. A wider piece of work is underway to review the uplifts that have been awarded and if they are sufficient. The Local Authority has a responsibility to support stability within the marketplace.
- 3.7 Income generated from client contributions towards care packages can fluctuate due to the ongoing financial assessments and reviews carried out by the team to determine eligibility and ability to contribute. There has been a reduction in the number of clients fully funding their own care needs.

### **Children's Services - £1.066m overspend**

- 3.8 The pressures before the allocation of additional funding are set out in the below table:

	£000
Families First and additional staffing	0.603
Extension to Families First	0.118
Staffing pressures and use of agency	0.339
Looked After Children's placements	0.251
Adoption & Special Guardianship arrangements	0.221
Home to school transport	0.442
<b>Total</b>	<b>1.974</b>

- 3.9 The Families First Team and the additional staffing resources ensure that case load ratios are maintained to appropriate levels and that the service has the capacity to deliver transformation initiatives and to further build on the successes of the 2019 Ofsted inspection result. For context, the 'Good' rating indicates the service is fit for purpose and delivering positive outcomes for residents. It is the service's new ambition to achieve an 'Outstanding' rating in future Ofsted assessments but the financial impact of this needs to be fully costed and managed at both a strategic and operational level.
- 3.10 The Families First Team was originally planned as a 6 month pilot, extension to service has resulted in additional costs of £0.118m.
- 3.11 Difficulties in recruitment and retention of permanent staff, being over establishment for a number of posts and a reliance on the use of agency personnel has caused an in year pressure of £0.339m. It should be noted that the levels of agency staff are lower than the previous financial year and work has been undertaken to align the HR establishment list to the budget allocation.

- 3.12 Support for Looked after Children and young people subject to Child Protection plans remains a risk due to the demand led nature and high potential costs for individualised support packages. Although numbers of looked after children are being managed to a more stable level, the costs remain high. There has been an increase of £0.251m in the last quarter. One additional placement has been added at a cost in excess of £0.100m for a 12 week period. Director approval is required for all new high cost packages to ensure the financial impact is fully understood and reflected in the outturn position.
- 3.13 Special Guardianship and adoption arrangements are a much more cost effective way of supporting children at risk but there remains a cost pressure due to the number of placements involved.
- 3.14 The number of young people being accommodated under Section 20 of the Children's Act 1989 (where a child has come into care on a 'voluntary' basis and not as part of a court order) have been an historical pressure on the budget. Early intervention approaches delivered by the Edge of Care Team aim to prevent children coming into care and support delivery of the financial position in the service in future years.
- 3.15 Home to School Transport is reporting an overspend of £0.442m, an increase of £0.222m compared to quarter 2. The in-year variation is a combination of new contracts awarded in September 2019; increase in costs for transportation to Independent Schools and increase in numbers of pupils with Education, Health and Care plans. This is an area of significant risk for Local Authorities across the country.

### **Environment & Highways – projected breakeven**

- 3.16 Although on target to achieve a breakeven position it should be noted that the directorate have number of issues which continue to pose a risk to this position. Effective management of staffing levels has provided some mitigation to the risks identified below.
- 3.17 Street cleaning is a priority for members and the public. The service continues to experience financial risks related to seasonal weather fluctuations and behavioural-related environmental offences (and in particular resources required to address fly-tipping issues).
- 3.18 Waste disposal continues to be a significant financial risk for the Directorate due to the variable element contained within the contract. Cost per tonne to dispose of the borough's waste potentially fluctuates quarterly and has previously adversely affected the budget. This continues to be closely monitored within the service and by Corporate Finance. There is currently £0.150m overspend risk for this area.

- 3.19 The Clean and Green budget is forecast to overspend by £39k. This is due to the statutory requirement to carry out Hand, Arm Vibration checks on staff as part of Health and Safety legislation.
- 3.20 The severity of the winter still has the potential to impact the budget if there is an increased need for additional road gritting services across the borough in the last quarter of the year. The purchase of a weather station based in Thurrock aims to make the planning for gritting support more accurate.

#### **Place – projected breakeven**

- 3.21 Following a restructure within the Place directorate the Corporate Landlord and Assets functions have transferred to the Finance, Governance & Property directorate.
- 3.22 There are pressures relating to staffing spend within the Regeneration Team due to the use of agency personnel but these can be offset by vacancies across the wider directorate.
- 3.23 There is concern that the Theatre will not achieve income to intended levels. Performance and processes are being reviewed at a detailed level to determine the full impact on the budget and to identify any potential mitigating action.
- 3.24 Provision made for the potential budgetary impact of exiting the EU has not been required in full. It remains the intention to manage the remaining budget pressures within the overall allocated resources and deliver a balanced position for year end.

#### **Finance, Governance & Property– £0.271m overspend**

- 3.25 The Corporate Landlord team have carried out condition surveys on the Authority's assets and a schedule of urgent repairs are required to the corporate property portfolio to ensure continued compliance with Health & Safety legislation. The planned programme is targeted towards at risk areas to reduce the wider impact on the budgetary position
- 3.26 The Fraud Investigation Team terminated trading their services with Southend Borough Council and the loss of income has had a financial impact of £0.400m on the 2019/20 budget position. The team are working to secure new contracts with outside agencies but this will not significantly impact the 2019/20 position.
- 3.27 Close management of staffing budgets across the directorate has provided a level of mitigation to the pressures identified.

#### **HROD – £0.202m underspend**

- 3.28 The directorate has been supporting a number of capital projects throughout the year and appropriate staffing costs have been capitalised.

- 3.29 Non-essential spend has been, and will continue to be, controlled across all service areas throughout the final quarter to enable them to deliver the projected underspend position at year end.

**Strategy, Communications & Customer Services – £0.021m underspend**

- 3.30 The Directorate continues to manage the budgeted resources to provide core services.

**Commercial Services – breakeven position**

- 3.31 The Directorate is forecasting to come within budget following a restructure of their staffing establishment and a review of funding arrangements.

**Housing General Fund – breakeven position (after allocation of surplus)**

- 3.32 There have been a number of developments in case law and legislation regarding the provision of Temporary Accommodation since the homelessness prevention strategy was last published, most notably the enactment of the Homelessness Reduction Act 2017. The primary function of the Act places greater emphasis on the prevention of homelessness, and has significantly adjusted the criteria of those approaching the Council who are eligible for assistance. This has resulted in a budget pressure of £0.330m before the allocation of the budget surplus.

- 3.33 The Council’s Housing Solutions service continue to receive increasing numbers of households presenting as homeless or at risk of homelessness. This is set out in the table below.

	2017/18	2018/19	2019/20 (projected)
Number of Households presenting to Council:	1,395	1,605	1,900

- 3.34 In addition, the number of households housed in temporary accommodation has increased by 40% over the last 12 months. This has resulted in unprecedented pressure on the service in 2019/20, which is reflected in the service pressure, and actions are being taken to deliver a more financially sustainable solution.

- 3.35 In order to meet the increased demand the service have introduced a revised staffing structure. The service continue to consider alternative accommodation solutions to try limit the use of bed and breakfast facilities to both improve the quality of accommodation and reduce the cost.

**Treasury & Financing – breakeven position**

- 3.36 The planned external investment targets included in the Medium Term Financial Strategy will be achieved in the current financial year. However, the

projected income from Thurrock Regeneration Ltd will need to be re-profiled into a future period following the pause to the Belmont Road project. Allocation of the budget surplus will mitigate this pressure of £1.287m for 2019/20.

### **Corporate Costs – breakeven position**

- 3.37 This budget covers a number of corporate expenditure items including housing benefit subsidy, council tax and business rate precepts, the annual contribution to the Essex Pension Fund to meet the current actuarial deficit and the allocation for the Minimum Revenue Provision. The budget is projected to meet budget at the end of quarter 3.

### **External Income**

- 3.38 Commercial Board set a target for external income generation to the general fund of £14.0m in 2019/20. This is through a combination of fees and charges and traded services and detailed schedules have been submitted to earlier Cabinet meetings.
- 3.39 At the end of Quarter 3 the full year forecast for external income is an over recovery of £0.424m for fees and charges and £0.729m below target for traded services. This is an overall improved position of £0.115m but with a notable shift between the classification of fees & charges and traded income recovery.
- 3.40 The breakdown for external income monitored through Commercial Board is set out below:

### **Fees and Charges**

<b>Directorate</b>	<b>Commercial Board Target</b>	<b>Month 9 Forecast</b>	<b>Variance to target</b>
Children's Services	(1,088)	(1,019)	69
Environment and Highways	(2,647)	(2,625)	22
Housing General Fund	(415)	(534)	(120)
Place	(2,707)	(3,302)	(595)
Strategy, Communications & Customer Services	(270)	(227)	43
Finance, Governance and Property	(234)	(152)	81
Adults, Housing and Health	(369)	(294)	75
<b>Grand Total</b>	<b>(7,729)</b>	<b>(8,153)</b>	<b>(424)</b>

### **Traded Services:**

Directorate	Commercial Board Target	Month 9 Forecast	Variance to target
Children's Services	(3,811)	(3,779)	32
Environment and Highways	(580)	(600)	(20)
Place	(34)	(27)	7
Strategy, Communications & Customer Services	(225)	(155)	70
Finance, Governance and Property	(1,286)	(788)	497
HR, OD and Transformation	(338)	(195)	143
Grand Total	(6,274)	(5,545)	729

- 3.41 Children's Services are projecting to recover more income for their catering service than originally budgeted. The corresponding costs to this have been reflected in the earlier directorate outturn position.
- 3.42 Finance, Governance and Property have forecast pressures within their traded services; this predominately relates to a number of schools converting to academies and a revision to the Corporate Fraud team's expected income following a re-profiling of out-of-borough work assignments
- 3.43 HR, OD & Transformation are also under-recovering their income target with regards to traded services with schools. Commercial services have recruited a Business Development Officer dedicated to school activity with the intention to review all current arrangements and to assist in the implementation of recovery plans where possible.
- 3.44 All the above pressures have been reflected in the overall budgetary position and will be closely monitored by Corporate Finance, Cabinet Members, and the individual service areas. Commercial Board will continue to have oversight of the position and suggest the implementation of recovery plans where necessary.

#### **4 Housing Revenue Account – breakeven projected**

- 4.1 There are currently pressures identified within the directorate to the value of £0.300m which the service are able to mitigate to deliver a breakeven position.
- 4.2 Essential electrical testing works have been required as part of health and safety maintenance in-year and this will result in expenditure above the allocated budget. These are due to an ageing housing stock and the need to undertake responsive repairs outside of the planned programme.
- 4.3 The introduction of Universal Credit has led to a small statistical increase in rent arrears. Measures are in place to mitigate the impact of this and approval has been sought from Digital Board to allow the implementation of a new software system. The cost of this will be contained within the HRA and a review of the bad debt provision will be carried out as a separate exercise.

- 4.4 The financial pressures identified below will be managed overall within the existing budgets.

Service	Revised Budget	Month 9 Forecast	Variance To budget
	£'000	£'000	£'000
Development	178	178	0
Financing and Recharges	23,681	23,681	0
Rents and Income	(48,359)	(48,499)	(140)
Repairs and Maintenance	12,201	12,501	300
Supervision and Management	12,299	12,139	(160)
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 5 Dedicated Schools Grant (DSG) - £1.061m overspend

- 5.1 Thurrock continues to see a rise in the number of children and young people with Special Education Needs and Disabilities (SEND) and Education, Health & Care Plans (EHCP's). Additional provision is required to support these young people in an educational setting and this is funded through the High Needs Block (HNB) of the DSG.
- 5.2 Current projections indicate pressures of £1.061m, an increase of £0.311m. This change reflects increases in the number of commissioned places in Thurrock Special Schools and Resource provisions, updated post 16 placements and continued month on month increase in Education Health and Care Plans (EHCP).
- 5.3 The table below reflects the current 2019/20 DSG allocation:

2019/20	Funding Settlement	Academy Recoupment	DSG	Outturn	Variance
	£m	£m	£m	£m	£m
Schools	118.839	(108.169)	10.670	10.326	(0.344)
Central Services	2.073	0.000	2.073	2.045	(0.028)
High Needs	23.848	(5.226)	18.622	20.055	1.433
Early Years	12.332	0.000	12.332	12.166	(0.167)
<b>Total</b>	<b>157.093</b>	<b>(113.395)</b>	<b>43.698</b>	<b>44.592</b>	<b>0.894</b>
<b>Early Years Surplus to be Carried Forward</b>					<b>0.167</b>
<b>Revised Outturn position</b>					<b>1.061</b>

- 5.4 The DSG reserve has a carried forward deficit of £2.657m into 2019/20. The approved movement from the Schools Block to the High Needs Block of £1.248m was planned to reduce the balance to £1.409m in 2019/20. However, the projected deficit is likely to realise an accumulated deficit of £2.470m as at 31 March 2020.
- 5.5 The ongoing pressure in the High Needs Block and the impact of the deficit recovery plan will be discussed at a meeting with the ESFA in March. Thurrock's schools forum and all schools have discussed the position. At this stage options available are medium to long term.
- 5.6 Information gathered by the Local Government Association found that 97% of Local Authorities expect there to be HNB deficit. The detailed 2020/21 DSG guidance and funding announcements have recently been released by ESFA. This information will need to be considered alongside the projected carried forward deficit, to consider options moving forward.

## **6. Public Health Grant – breakeven projected**

- 6.1 The Public Health Grant was subject to a further reduction in 2019/20 and this equated to £0.292m. Over the last three years this grant has been reduced by £0.869m, as local authorities continue to embed services transitioned from other agencies into local government. The allocation for 2019/20 is £10.7m and this has been fully allocated.

## **7. Reasons for Recommendation**

- 7.1. The council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2019/20 along with the need to identify actions to mitigate these pressures and deliver a breakeven position.

## **8. Consultation (including Overview and Scrutiny, if applicable)**

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

## **9. Impact on corporate policies, priorities, performance and community impact**

- 9.1 The council's obligation to ensure that it adjusts to a reduction of the Revenue Support Grant (RSG) as part of the national objective to reduce the national deficit, has led to service reform, which has always aimed – and largely avoided – adverse impacts of the services the council provide. 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. The council continues to provide a high number of non-statutory services.

## **10. Implications**

### **10.1. Financial**

Implications verified by: **Jonathan Wilson**  
**Assistant Director - Finance**

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.

Investments have been undertaken within the financial year, in line with agreed targets and the strategy, which support a forecast surplus budget position. This has allowed the Council to finance some in year budget pressures that would otherwise have been financed from service reductions or reserves.

The forecast level of overall net income is dependent on the prevailing rate of borrowing remaining in line with the current projections. These remain subject to change depending on external economic factors. An element of contingency is built into the forecast to account for this and should additional income arise then this will form part of any surplus carry forward into reserves and available for future years.

### **10.2. Legal**

Implications verified by: **Tim Hallam**  
**Acting Assistant Director Law and Governance, Head of Legal and Monitoring Officer**

There are no specific legal implications arising from this report.

### **10.3. Diversity and Equality**

Implications verified by: **Becky Lee**  
**Team Manager - Community Development and Equalities**

There are no specific diversity and equality implications arising from this report.

10.4. **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, and Impact on Looked After Children

None

11. **Background papers used in preparing this report** (including their location on the council's website or identification whether any are exempt or protected by copyright):

None

12. **Appendices to the report:**

None

**Report Author:**

Jonathan Wilson

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