

<b>14 September 2022</b>		<b>ITEM: 13</b>
		<b>Decision: 110624</b>
<b>Cabinet</b>		
<b>Financial Update – Quarter 1 2022/23</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor Jack Duffin, Cabinet Member for Finance and Communication		
<b>Accountable Assistant Director:</b> Jonathan Wilson, Assistant Director Finance, Corporate Finance		
<b>Accountable Director:</b> Sean Clark, Corporate Director of Resources & Place Delivery		
<b>This report is public</b>		

## Executive Summary

This report provides Cabinet an updated general fund forecast outturn position for the 2022/23 financial year (based on the information available to 30 June 2022).

In respect of the financial reporting the quarter 1 position is presented in the context of the new arrangements in place and with the oversight of the Commissioners.

At the end of quarter 1 a service pressure of £7.467m has been identified with £6.646m of mitigation available leading to a £0.821m budget pressure for the financial year. A further pressure of £1.232m has been identified relating to the treasury position specifically.

<b>Summary</b>	<b>£'000</b>
Service pressure at month 2 (Table 1)	7,467
Treasury position (Table 1)	1,232
<b>Identified pressures at Q1</b>	<b>8,699</b>
Use of earmarked reserves (table 5)	(5,462)
Further use of transformation reserve (balance in Table 4)	(684)
Net reduction in corporate costs	(500)
<b>Remaining pressure at Q1</b>	<b>2,053</b>

Officers continue to work to reduce the remaining pressure and mitigate further potential risks with the intention of delivering a balanced budget at the end of the financial year.

Members should note the extensive use of one-off funding supporting the current position and be aware of the longer-term impact on the MTFS.

Further work is also being carried out to fully assess the overall Treasury position and appropriate resolution plans which may be required. The impacts reflected in this report are in respect of known changes to investment income and associated borrowing costs up to 30<sup>th</sup> June. There remains further consideration of wider capital impacts including a review of MRP. Updates will be provided in due course and there remains significant uncertainty in this area

A revised MTFS will be presented in Q2 to reflect the updated Treasury position and the wider impacts of inflationary pressures and recurring budget pressures.

The Housing Revenue Account is forecasting a small surplus in 2022/23 and the detail is contained in Appendix 2.

The Dedicated Schools Grant is forecast to breakeven in 2022/23 and the detail is contained in Appendix 3.

The Public Health expenditure is projected to be contained within the 2022/23 funding allocation and the summary position is shown at Appendix 4.

This report also provides an update to Cabinet on the financial position of the capital programme and is based on expenditure to the end of month 3 (the period 1 April 2022 to 30 June 2022) and projected expenditure for the remainder of the year. The key point to note is there is some slippage on both the GF and HRA capital programmes.

## **1. Recommendations:**

- 1.1 That Cabinet note the Department of Levelling Up, Housing and Communities have put an intervention package in place and nominated Essex County Council as the Commissioners as set out in section 2,**
- 1.2 That Cabinet comment on the forecast revenue and capital outturn positions for 2022/23,**
- 1.3 That Cabinet note additional action will be required to identify further savings to manage the reported General Fund budget pressures.**

### **2022/23 General Fund Forecast Outturn Position**

## **2. Government Intervention**

- 2.1 Members should note that on the 2 September 2022 The Department of Levelling Up, Housing and Communities announced directions to implement an intervention package at the Council.
- 2.2 The Secretary of State is exercising his powers under section 15(11) of the Local Government Act 1999 to give a Direction without complying with the requirement at section 15(9) to give Thurrock an opportunity to make representations about the Directions, as he considers the failures of the Council's compliance with its Best Value duty in respect of the functions

specified in the Directions sufficiently urgent. This is because of the following:

- the scale of the financial and commercial risks potentially facing the Authority, which are compounded by the Authority's approach to financial management and the seriousness of the allegations that have been made by third parties about the processes that have been applied to the operation of the Authority's commercial strategy, and;
- the failure of the Authority to provide assurance to Ministers and the Department on the adequacy of the actions that they are taking to address the issues, taking account of the scale and pace of the response required.

2.3 Taken together, the Secretary of State considers that there is a pressing case for urgent government action to protect the interests of the residents and taxpayers of Thurrock, as well as to provide assurance to the sector that action is being taken. The scale and nature of the issues is emerging rapidly, and the Secretary of State is concerned that further evidence of failure could come to light very quickly and require prompt action.

2.4 The Secretary of State has nominated Essex County Council to the role of Commissioner. Further detail is set out in the report below. The intervention package is formed of two complementary parts:

- the first is that the Council's functions over managing its financial resources, exercise of the statutory requirement to arrange for the proper administration of the Council's financial affairs, and all functions associated with the strategic financial management of the Authority will be overseen by Essex County Council, in the role of Commissioner.
- The second part is that the Secretary of State has appointed Essex County Council as a Best Value inspector, to inspect the governance, audit (internal and external), risk management, overview and scrutiny functions of the Council, and consider their impact on service delivery.

2.5 Both parts share a common goal, which is to protect the interests and services of the people of Thurrock.

2.6 The Council is treating this situation extremely seriously and has worked with the Government in recent weeks, as well as independent financial and legal experts to fully understand how the situation has arisen and establish a comprehensive resolution plan to safeguard the Council's financial position. The Council is grateful to the Government for the support they have given us and welcome the action to instigate intervention and provide additional support. The Council is co-operating fully with the appointed Commissioners to work to protect the delivery of core services and planned investment in the community.

### **3. Introduction and Background**

- 3.1 In February 2022, Council agreed the 2022/23 budget in line with a one-year balanced MTFs. Key measures are as follows:
- Council Tax Increases – permanent – a 2.99% increase, the maximum allowed (£2.143m)
  - Use of Capital receipts for Transformation Activity – one off - subject to disposals (£3.300m)
  - Use of Reserves – one off (£3.000m)
  - A series of permanent departmental savings, including identified staffing reductions (£14.200m)
  - A continuation of the controls on recruitment to create additional in-year savings (£3.000m)
- 3.2 This report sets out the latest forecast position with a focus on general fund service budget positions.

#### 4. General Fund Quarter 1 Monitoring

- 4.1 The Council's current net services general fund budget (excluding corporate budgets & central financing) is now £151.649m. This reflects the final 2022/23 pay award and inflation, service realignments and other agreed growth and savings allocations.
- 4.2 The forecast outturn position at quarter 1 is estimated to be £159.116m which results in an unfavourable service variance of £7.467m, prior to support from additional resources. This is equivalent to a 5% variance to budget (Table 1).
- 4.3 The estimated reduction in net investment income and changes in borrowing costs leads to a further pressure within the Treasury budget of £1.232m. This is equivalent to a 12% variance to budget (Table 1).

**Table 1: 2022/23 Forecast Directorate position:**

Directorate	Current Budget £'000	Quarter 1 Forecast £'000	Quarter 1 Variance £'000	% Variance to Budget
Adults, Housing and Health	50,966	53,660	2,694	5%
Children's Services	40,698	42,390	1,692	4%
Housing General Fund	1,598	1,659	61	4%
HR, OD, and Transformation	9,058	8,815	(244)	-3%
Public Realm	35,122	35,207	85	0%
Resources & Place Delivery	13,957	14,164	208	1%
Strategy, Engagement & Growth	3,250	3,221	(29)	-1%
Vacant post saving (Note 1)	(3,000)	0	3,000	
<b>General Fund Net Services position</b>	<b>151,649</b>	<b>159,116</b>	<b>7,467</b>	<b>5%</b>

Investment Income	(41,472)	(37,506)	3,967	10%
TRL	(1,174)	(1,021)	154	13%
MRP	9,957	7,683	(2,274)	-23%
Borrowing	22,089	21,474	(615)	-3%
<b>Treasury position</b>	<b>(10,601)</b>	<b>(9,369)</b>	<b>1,232</b>	<b>12%</b>
<b>Grand Total</b>	<b>141,048</b>	<b>149,747</b>	<b>8,699</b>	<b>6%</b>

Note 1 - the Quarter 1 actual position on vacant posts is part of the directorate outturns and is shown in table 2 below.

- 4.4 Within the directorate budgets the following key variances have been identified at quarter 1 (Table 2).

**Table 2 Key variances:**

Variance category	Variance analysis	Current Budget £'000	Month 2 Forecast £'000	Month 2 Variance £'000
<b>1. Demand Increase</b>	ASC External Placements	32,658	35,542	2,885
<b>2. Vacant post saving</b>	Employees Costs	90,533	92,556	2,023
<b>3. Demand</b>	School Transport	3,310	4,245	935
<b>4. Children's Social Care</b>	CSC External placements	12,282	12,729	446
	CSC Legal Proceedings	272	773	501
<b>5. Income generation</b>	Counter Fraud	(382)	(1,502)	(1,120)
	Ground Maintenance Saving	(150)	(20)	130
	Parking charges	(465)	(123)	342
<b>6. Inflation</b>	Utilities	2,723	3,177	454
	Highways, Fleet & Logistics	451	601	150
	Other Expenditure	5,282	5,537	255
<b>7. Delay to savings &amp; demand pressure</b>	Waste Collection	5,136	5,602	466
<b>8. Treasury</b>	Investment Income, interest costs and MRP	(10,601)	(9,369)	1,232
<b>Total</b>		<b>141,048</b>	<b>149,747</b>	<b>8,699</b>

- 4.5 An explanation for the identified variances within categories 1-7 above is shown in Appendix 1, along with several proposed action points. Further detail on category 8 is set out above.

- 4.6 As noted, further work is being carried out to assess the overall treasury position and figures included in tables 1 and 2 are based on known revenue impacts to date.
- 4.7 In addition to the above budget pressures already identified are several further risks to consider with the potential to create further budget variances as the year progresses. These are not currently included in the forecast outturn position but are listed at the end of this report in Table 5.

## 5. Central Financing & Corporate Costs

- 5.1 Alongside the direct service budgets are the corporate costs and central financing allocations. A quarter 1 estimate is forecasting that the corporate costs budgets can contribute a £0.500m reduction to the overall costs of service delivery.

## 6. Reserves & Capital Receipts

- 6.1 It should be noted that the 2022/23 budget has been set with the assumption that one-off £3.3m capital receipts funding will support appropriate in-year transformational spend. At the end of quarter 1 capital receipts have been generated from the asset disposal programme that meet this requirement.
- 6.2 There was also the assumption that £3m one-off use of reserves would be applied to the general fund budget and the impact on the financial resilience reserve is shown below (Table 3). This will continue to be reviewed as the year progresses alongside the wider risks in table 5 below.

**Table 3**

Reserve name	Opening 2022/23 Balance	In-year requirement	2022/23 Closing balance
	£'000	£'000	£'000
Financial Resilience Reserve	(5,000)	3,000	(2,000)

- 6.3 Other earmarked reserves are available to support specific services and functions in line with the conditions of the funding source and assumed use of these reserves is included as part of Appendix 1 and summarised below (Table 4).

**Table 4**

Support from earmarked reserves:	£'000
Adult Social Care reserve	(2,885)
Housing GF reserve	(61)
Children's Social Care reserve	(1,216)
Inflation reserve	(1,000)
Workforce reserve	(300)
<b>Total</b>	<b>(5,462)</b>

- 6.4 It should be noted that whilst the external audit review remains outstanding and consequently the 2021/22 position cannot be finalised, the availability of these reserves remains unconfirmed at this stage.
- 6.5 The Council's General Fund balance is held to mitigate against the financial risks inherent in delivering Council services. At the start of the year the general fund balance was £11m.
- 6.6 Should the current forecast outturn be realised but supported through the use of earmarked reserves, service efficiencies and/or increased revenue the year-end general fund balance would remain at £11m as at 31st March 2023. If mitigation is not identified and further potential risk areas shown in table 5 materialise then further use of reserves including the general fund would remain under consideration.

## 7. Additional Risk & Uncertainty

- 7.1 The budget is set on assumptions and economic forecast but there is inherent risk and uncertainty:

**Table 5**

<b>Risk Area</b>	<b>Concern</b>
Inflation	<ul style="list-style-type: none"> <li>• Inflation has increased significantly in recent months and is impacting supply chain costs across many services</li> <li>• Energy costs continue to increase impacting Corporate Landlord services</li> <li>• National pay agreement with Trade unions will impact local pay agreements and remains under assessment</li> </ul>
Provider failure	<ul style="list-style-type: none"> <li>• There are significant additional financial pressures on external providers to deliver core services commissioned by the Council.</li> </ul>
Ongoing demand volatility	<ul style="list-style-type: none"> <li>• As the pandemic recedes the level of demand for key services within the system and particularly within the Social Care services</li> </ul>
Uncertainty of government funding	<ul style="list-style-type: none"> <li>• Effectively a one-year settlement was announced in November 2021 and hence there remains uncertainty in planning for services in the medium term</li> </ul>
Delivery risk	<ul style="list-style-type: none"> <li>• Significant savings were applied to the 2022/23 budget allocation, and these remain subject to implementation in the agreed timescales</li> </ul>
Interest rates	<ul style="list-style-type: none"> <li>• Changes to the Bank of England interest rate may further impact the cost of borrowing</li> </ul>
Investment return	<ul style="list-style-type: none"> <li>• The investment returns rely on the underlying performance of the associated entities.</li> </ul>

7.2 Services may move in or out of the above risk monitoring as the year progresses and operational issues are either identified or resolved.

## 8. Capital Programme Update

8.1 Capital schemes and resources are identified in two specific categories:

- Mainstream schemes – capital expenditure funded through prudential (unsupported) borrowing, from capital receipts, from the capital contribution from revenue budget or from earmarked capital reserves; and
- Specific schemes – capital expenditure funded through external funding sources, for example, government grants and Section 106 monies which are ring fenced for specific projects.

## 9. General Fund Schemes

9.1 The current position for General Fund schemes for 2022/23 is summarised below:

### Capital Programme – Projected Outturn as at Quarter 1

	Latest Agreed Budget	Projected Outturn to 31/03/2023	Variance against budget
	£'000's	£'000's	£'000's
<b>Expenditure:</b>			
Children's Services <sup>1</sup>	4,490	4,490	0
Adult, Housing & Health	4,609	4,609	0
Public Realm	27,326	27,326	0
Resources & Place Delivery	34,479	33,287	(1,192)
HR, OD & Transformation	7,707	7,319	(388)
Strategy; Engagement & Growth	104	104	0
Commercial Services	16	16	0
<b>Total Expenditure</b>	<b>78,731</b>	<b>77,151</b>	<b>(1,580)</b>
<b>Resources:</b>			
Prudential Borrowing	(54,629)	(54,241)	388
Capital Receipts	(69)	(69)	0
Reserves	(0)	(0)	0
Government Grants	(15,507)	(15,507)	0
Other Grants	(6,628)	(5,436)	1,192
Developers Contributions (S106)	(1,898)	(1,898)	0
<b>Total Resources</b>	<b>(78,731)</b>	<b>(77,151)</b>	<b>1,580</b>
<b>Forecast Overspend in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> The capital budget for schools is designed around academic years and officers are confident that this will be defrayed in full within the current academic year



9.2 This illustrates a projected outturn at the end of the financial year of £77.151m, which is £1.580m less than the latest agreed budget for the year. This forecast variance is further analysed below.

#### Analysis of forecast variance

	Re-profiling of expenditure at Month 3	Capital schemes requiring additional funding	Completed Projects	Forecast variance against budget at Month 3
<b>Expenditure:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Resources & Place Delivery	(1,192)	0	0	(1,192)
HR, OD & Transformation	(388)	0	0	(388)
<b>Total</b>	<b>(1,580)</b>	<b>0</b>	<b>0</b>	<b>(1,580)</b>

9.3 This shows that the forecast underspend is principally due to slippage/budget re-profiling on current schemes (£1.580m). Consequently, the funding remains allocated to specific current schemes.

9.4 Schemes that are at a feasibility or at an earlier stage of development have been excluded from the reported position until their progress into a full capital scheme is determined.

9.5 Further detail is set out in Appendix 5.

## 10. Housing Revenue Account Capital Schemes

10.1 The current position for Housing Revenue Account schemes for 2022/23 is summarised below.

#### HRA Capital Programme – Projected Outturn

	Latest Agreed Budget	Projected Outturn to 31/03/2023	Variance Against Budget
	<b>£'000's</b>	<b>£'000's</b>	<b>£'000's</b>
<b>Expenditure:</b>			
Transforming Homes	53,284	50,363	(2,921)
Housing Development	1,644	1,644	0
<b>Total Expenditure</b>	<b>54,928</b>	<b>52,007</b>	<b>(2,921)</b>
<b>Resources:</b>			
Prudential Borrowing	(43,717)	(40,796)	2,921
Capital Receipts	(657)	(657)	0
Major Repairs Reserve	(10,554)	(10,554)	0
<b>Total Resources</b>	<b>(54,928)</b>	<b>(52,007)</b>	<b>2,921</b>

	Latest Agreed Budget	Projected Outturn to 31/03/2023	Variance Against Budget
<b>Forecast Overspend in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

10.2 The budget for Transforming Homes in 2022/23 is £53.284m and the forecast spend is currently £50,363m. Much of the expected slippage relates to the Refurbishment of Non-Traditional properties project, where a revised programme has been developed. Spend incurred at 30 June 2022 was £4.724m.

### HRA New Build Schemes

10.3 The revised budgets for 2022/23 for HRA New Build Schemes are set out below. The current forecast is £1.644m against a budget of £1.644m. These projects will utilise receipts held under Right to Buy sharing agreement between the Council and the DLUHC.

	Revised Budget	Spend YTD	Forecast	Variance from Revised Budget	
	£000	£000	£000	£000	%
Calcutta Rd	0.178	0	0.178	0	0%
Vigerons Way	1,466	0	1,466	0	0%
<b>Total</b>	<b>1,644</b>	<b>0</b>	<b>1,644</b>	<b>0</b>	<b>0%</b>

10.4 Further detail is set out in Appendix 5.

## 11. Reasons for Recommendations

11.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2022/23 along with actions to mitigate these pressures and deliver a breakeven position.

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

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

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

13.1 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.

## **14. Implications**

### **14.1 Financial**

Implications verified by: **Jonathan Wilson**  
**Assistant Director – Corporate 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 to maintain effective controls on expenditure during this period of enhanced risk. Measures in place are continually reinforced across the Council to reduce ancillary spend and to ensure that everyone is aware of the importance of maximising the benefit from every pound that is spent by the Council.

### **14.2 Legal**

Implications verified by: **Mark Bowen**  
**Interim Head of Legal**

There are no specific legal implications set out in the 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.

Legal implications arising from the government intervention detailed in the body of the report will be considered in detail as necessary in future reports.

### **14.3 Diversity and Equality**

Implications verified by: **Natalie Smith**  
**Community Development & Equalities Manager**

The Equality Act 2010 places a public duty on authorities to consider the impact of proposals on people with protected characteristics so that positive or negative impacts can be understood and enhanced or mitigated as appropriate. Services will be required to consider the impact on any proposals to reduce service levels through a community equality impact assessment which should seek to involve those directly affected.

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

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

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)

15.1 There are various working papers retained within the finance and service sections.

16. **Appendices to the report**

Appendix 1: Key general fund variances project at quarter 1

Appendix 2: HRA 2022/23 Financial Forecast quarter 1

Appendix 3: Dedicated Schools Grant 2022/23 forecast quarter 1

Appendix 4: Public Health 2022/23 financial forecast quarter 1

Appendix 5: Capital programme financial forecast quarter 1

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### 1. Demographic Growth pressures – Adult Social Care

The forecast overspend within adult social care placements at Period 2 is £2.885m. The majority of this additional demand is within services for older people, with the main contributing factors being as follows:

- Increase in demand volume for Homecare service, particularly in older people
- Level of need for people being discharge from hospital requiring continuing social care support to live independently outside of residential care, exacerbated by the change in the hospital discharge criterion from ‘medically fit’ to ‘medically optimised’ meaning patients are discharged earlier and with a greater level of care acuity.
- Increased complexity and the associated requirement for additional care support to existing clients. This is particularly prevalent in the substantial increase in the number of homecare packages that the Local Authority is commissioning within the external care market
- Longer term ramifications following the covid pandemic including the pausing by the NHS of secondary prevention programmes to manage residents with long-term conditions that is now resulting in significantly increased presentation of very unwell patients presenting at A&E for emergency hospital and the subsequent demand on ASC through increased hospital backdoor pressures. Along with the “hidden” impacts of COVID amongst both working age adults and older people caused by the lockdown and removal of non-crisis intervention by health. This is particularly prevalent in Mental Health services.

Variance analysis	Sub-service	Current Budget £'000	Month 2 Forecast £'000	Month 2 Variance £'000
<b>Adults External Placements</b>	External Purchasing - Older People	6,177	8,691	2,513
	External Purchasing - Mental Health Team	5,109	5,380	271
	External Purchasing - Learning Disabilities	17,315	17,488	173
	External Purchasing - Physical Disabilities	4,056	3,983	(73)
		<b>32,657</b>	<b>35,542</b>	<b>2,885</b>

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### **Actions:**

- 1. Continue to monitor demand for services, commissioning arrangements and high-cost placements – Piloting of new Power BI dashboards within three ASC Fieldwork Teams, allowing Team Managers to deep dive and review care packages generating overspends with a view to roll out service wide from September 2022**
- 2. Automatic rolling six weekly review by ASC Fieldwork Team Managers and social workers for all packages where costs and complexity have increased plus series of deep dive reviews including Corporate Director AHH and AD ASC & Community Development for 20 most increased cost packages in association with Principal Social Worker and relevant Team Manager**
- 3. Increased reablement capacity on hospital discharge care pathway through use of private sector providers**
- 4. Allocate £2.885m from the earmarked social care reserve to reduce the pressure on the general fund budget**
- 5. Continue discussions with Health colleagues re securing extension to Hospital Discharge funding**
- 6. Decommissioning of Bridging service contracts to mitigate the rising cost of care solutions in the absence of agreement from the ICS to continue funding in Q2 to support earlier hospital discharge**
- 7. Explore use of one-off funding within the better care fund reserves to address in year financial pressures**
- 8. A series of “easier to implement” transformation projects from our overall transformation programme such as commissioning a new model of mental health in borough supported living schemes and developing a complex care joint housing and ASC multi-disciplinary team to avoid growing failure demand.**

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### 2. Vacant post saving & Employee costs

- The position on vacant posts continues to be monitored against a corporate target of £3m. Employee spend is estimated to be £0.977m less than budgeted before the allocation of the vacant post saving. This position needs to be considered within the context of the overall position. In some cases, reduced spend within the employee category will be offset by an under recovery of associated income or expenditure pressures elsewhere within the service area. The position will be monitored alongside the actions of the recruitment panel, the review of agency spends and wider restructures in the Council.

Variance analysis	Directorate	Current Budget £'000	Month 2 Forecast £'000	Month 2 Variance £'000
<b>Employees Costs (note 1)</b>	Adults, Housing and Health	20,436	20,264	(172)
	Children's Services	29,376	29,224	(152)
	Housing General Fund	2,061	2,057	(4)
	HR, OD, and Transformation	7,834	7,519	(316)
	Public Realm (note 2)	17,448	17,457	9
	Resources & Place Delivery	11,654	11,415	(238)
	Strategy, Engagement & Growth	4,724	4,620	(104)
<b>Service total</b>		<b>93,533</b>	<b>92,556</b>	<b>(977)</b>
	Vacant post saving	(3,000)	0	3,000
<b>Overall employee position</b>		<b>90,533</b>	<b>92,556</b>	<b>2,023</b>

Note 1 - Agency staff is included in the position and projected at circa £8.9m.

Note 2 - This position excludes the Counter Fraud team and the external NATIS contracts.

#### Actions:

- Continue with limited approach to recruitment and weekly Recruitment Panel
- Continue review of agency staff through ongoing DMT reporting

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### 3. Demand - School Transport

- The service has commenced an externally commissioned consultant (funded through transformation budget) to undertake a review of SEND transport to ensure discretionary transport policy is being applied correctly and to identify potential changes to process and practice which may reduce the current overspend on SEND transport.
- Increase in demand for Education Health and Care Plans and the phased expansion of specialist provision within Thurrock by 96 places has placed a £0.570m pressure on the service
- The reduction proposal for St Clere's school has now been deemed to be an unsafe route. A feasibility study is being undertaken to assess whether a safe walking route could be introduced. A report with recommendations and costs to be provided in August 2022. This delay to savings adds an additional £0.150m pressure.

#### **Actions:**

- **School routes to be reviewed including specific reassessment of St Clere's**
- **Compliance to policy to be reviewed – in discussion with external support**
- **Allocation of earmarked reserve to the value of 0.350m to reduce the general fund pressure**



## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### Children’s Social Care

- Significant cost pressures are generated by moves within care. Children with the most complex needs are experiencing a high level of placement instability driven by both providers giving notice on their placement and by intervention by the regulator. Thurrock is reliant on external providers for residential and complex care including SEN placements. The table below shows current forecast:

Placement Type	Budget Numbers 2022/23	Revised budget 2022/23	Jun-22 Numbers	Jun-22 Costs	Variance Period 3
Cost		£m		£m	£m
Placed with Parent / Adoption	10	£0.000	11	£0.000	£0.000
Supported Accommodation	26	£0.485	26	£0.492	£0.007
External Fostering	103	£4.542	113	£4.981	£0.439
External Residential	29	£7.555	26	£6.030	(£1.525)
Secure Placement	0	£0.000	0	£0.000	£0.000
Unregulated	0	£0.000	3	£1.699	£1.699
Education Contribution	0	(£0.300)	0	(£0.472)	(£0.172)
Remand	2	£0.030	1	£0.061	£0.031
<b>Total LAC</b>	<b>170</b>	<b>12.312</b>	<b>180</b>	<b>12.790</b>	<b>£0.478</b>
Internal Fostering	127	£2.608	104	£2.335	(£0.273)
	<b>297</b>	<b>£14.920</b>	<b>284</b>	<b>£15.125</b>	<b>£0.205</b>

- Internal fostering services are engaged in promotional activities to increase the number of long-term foster carers. The £0.273m underspend can support the additional costs within external fostering to £0.166m.
- Unregulated placements are where the Local Authority are unable to secure a suitable placement with a provider to meet the needs of the young person. In these instances, the LA has to develop a package of support around the child and seek judicial approval until a regulated place can be provided. By nature, these placements are highly complex and costly. Thurrock currently have 3 such placements at a cost implication of £1.699m. Ofsted registration is being progressed.
- There are currently 10 high-cost placements with a total forecast of £3.831m. The Directorate as part of placement panel meetings has an ongoing review of all high-cost placements with an annual cost of £0.128m.

## **Appendix 1 – Key General Fund Variances Projected at Quarter 1**

- An external consultant (from central transformation funding) has been engaged to review all packages of care and secure additional financial contributions from Health.
- Legal proceedings are reporting an overspend of £0.501m. This is service is considered to have been impacted by the delays within the court system during the pandemic and the ongoing need to procure specialist assessments from external providers to support progression of specific cases.

### **Actions:**

- **Continued review and promotion of the internal fostering offer to create longer term reductions in the use of external fostering providers.**
- **Further analysis of demand growth expectations for children's placements in 2022/23**
- **Full service engagement with the external placement review and further exploration of additional health funding**
- **Continued review of high-cost placements**
- **Restriction of non-essential spend elsewhere within the service**
- **Further detailed analysis of expected in-year legal proceedings costs to ensure budgetary impact is fully captured**

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### 4. Income Generation

- **Counter Fraud:** There are proposed changes to the Counter Fraud and NATIS operating model with a report due to Directors Board. Current year projections show a surplus position which is offsetting pressures elsewhere in the directorate. This position will be revisited once the longer-term plan and associated financial position of the team is agreed.
- **Grounds Maintenance:** A saving target of £0.15m was applied to the team in 22/23 and at this stage only £0.02m of new commercial income has been secured therefore there is an under recovery of income (or unachieved saving) pressure at this time.
- **Parking charges:** The key issues being contained in this forecast include a forecast loss in parking income this year based on last year's parking volumes plus the fee increase. A number of parking sites in Grays specifically have not recovered since the pandemic due to a fundamental change in working patterns. There is also a pressure resulting from a delay in new car parks becoming fully operational/chargeable.

#### Actions:

- **Ground maintenance team to continue to work with Business Development & Innovation team to secure additional commercial contracts**
- **Ticketing machines for newly chargeable car parks to be implemented and funded through existing capital allocations or transformation funding to allow for charging fees to be recouped in-year**

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### 5. Inflation

- Fuel prices in the UK have reached record highs in 2022, driven by increased wholesale prices
- The wholesale price of gas (system average price) in January 2022 was almost four times higher than in early 2021, with large rises since summer 2021.
- The Council is in long term arrangements via a procurement framework. These arrangements flatten the Council's risk and ensure procurement compliance etc in respect of the very large value of spend.
- Despite this arrangement, electricity charges look set to increase by an average of 23%. Gas charges (with effect from October 2022) are set to increase by 193% on last year's rates.
- Wider inflation impact on supplies & services is difficult to quantify/unknown at this stage but is affecting the cost of goods within the supply chain for a number of service areas and initial pressures are shown below. This continues to be monitored

Variance category	Variance analysis	Subjective Description	Current Budget £'000	Month 2 Forecast £'000	Month 2 Variance £'000
<b>Inflation</b>	<b>Utilities</b>	Electricity	1,691	1,851	159
		Fuel and Oil	908	1,114	206
		Gas	123	212	89
	<b>Highways, Fleet and Logistics</b>	Transport related spend	451	601	150
	<b>Other income expenditure</b>	General increases supplies & services	5,282	5,401	119
<b>Grand Total</b>			<b>8,445</b>	<b>9,179</b>	<b>724</b>

#### Actions:

- **Property Services Team to ensure allocation of bulk billing for utilities to individual service areas**
- **Corporate finance to continue monitoring national situation and amend assumptions as necessary to understand overall pressure**
- **MTFS impact to be assessed**
- **Allocation of earmarked inflation reserve to reduce pressure on the general fund position**

## Appendix 1 – Key General Fund Variances Projected at Quarter 1

### 6. Delays to savings

Savings agreed as part of the 2022-23 budget at February Council included £322k within Public Realm to move to fortnightly collection for residual waste, due to commence in September 2022. There has been a delay to this plan awaiting clarification in terms of the Environment Bill and to ensure changes are commensurate with the Bill to avoid further future costs, therefore an in-year pressure is likely to materialise.

Alongside this additional costs have been incurred during and following industrial action, to ensure the collection of waste bins and a wider review of the service.

Variance analysis	Spend category	Current Budget £'000	Month 2 Forecast £'000	Month 2 Variance £'000
Waste Collection	Employees Costs	3,682	4,040	358
	Other running costs & Third party spend	684	792	108
	Capital Financing Expenditure	810	810	0
	Income	(40)	(40)	0
<b>Total</b>		<b>5,136</b>	<b>5,602</b>	<b>466</b>

#### Actions:

- Continue to work with HR to resolves ongoing staffing issues
- Note that fortnightly collection decision has delayed implementation and not reversed the saving target; the saving will still be achieved but there is a timing issue which impacts the in-year budget and MTFS

## Appendix 2 – HRA 2022/23 Financial Forecast at Quarter 1

Service	2022/23 Budget £'000	2022/23 Forecast £'000	2022/23 Variance £'000	Comments
Housing Development	251	251	0	Development projects and staffing costs are funded, in part, through earmarked reserves, capitalisation and recharges to TRL Ltd (through SLAs). Projected to balance.
Financing and Recharges	24,501	24,501	0	This reflects cost of borrowing, revaluation, pensions, SLAs and central recharges and projected to balance.
Rent and Income	(52,082)	(52,293)	(211)	The increase in income reflects additional rents and service charges due to new properties coming online.
Repairs and Maintenance	12,893	13,093	200	Additional requirement for non-capital works due to legislative changes
Operational Costs	14,437	14,239	(198)	The underspend represents vacancies across all HRA services.
<b>Grand Total</b>	<b>0</b>	<b>(209)</b>	<b>(209)</b>	

The HRA is forecasting a small budget surplus due to staffing vacancies and a favourable position on rent collection

Part of this additional funding will be used to mitigate additional repair and maintenance costs. Wider risk of further inflationary impacts which are currently being managed within the wider staffing savings.

## Appendix 3 – Dedicated Schools Grant – 2022/23 Financial Forecast at M3

The current projected outturn for 2022/23 is a breakeven position as shown below:

DSG 2022/23	Funding Settlement	Academy Recoupment	Funding Block Transfer	Early Years Adjust	Final DSG	Outturn	Variance
	£m	£m	£m	£m	£m	£m	£m
Schools	146.520	(140.961)	(0.700)	0.000	4.858	4.704	(0.154)
Central Services	1.688	0.000	0.000	0.000	1.688	1.626	(0.061)
High Needs	32.689	(6.500)	0.700	0.000	26.889	27.104	0.214
Early Years	10.734	0.000	0.000	0.000	10.734	10.735	0.000
<b>Total</b>	<b>191.631</b>	<b>(147.461)</b>	<b>0.000</b>	<b>0.000</b>	<b>44.170</b>	<b>44.169</b>	<b>(0.000)</b>

For 2022/23 the High Needs Block received a funding increase of £4.5m, which includes £1.2m of additional funding to reflect inflation and increase to National Insurance rates. The increase in funding is supporting the increase in demand for Education, Health and Care Plans, specialist placements and increase in payments to providers.

The key area of risk remains the additional funding in the High Needs Block does not meet any further changes to demand levels – this will be considered and reported back to DB monthly.

At this stage pupil movement, with the schools and high needs block, for the new academic year is not fully known. This will be included in the information to be reported in September.

## **Appendix 4 – Public Health 2022/23 Financial Forecast at Quarter 1**

### **Public Health**

The Public Health Grant was increased by £0.325m in 2022/23 with the full allocation for the year now being £11.911m. The increase in grant has been allocated to the Agenda for Change uplift in relation to NHS staffing pay which has seen an increase of 3% for the current and previous financial years. The grant uplift has been directly passported on to our primary care providers.

There is a shortfall of income from the Public Health grant of £0.417m that is currently being funded through our ringfenced reserve. Discussions are ongoing to actively reduce this shortfall through future contract negotiations with our providers.



## Appendix 5 – Capital Programme Financial Forecast at Quarter 1

Summary of the 2022/23 General Fund Capital Programme	Approved Budget			Projected Outturn			CY Spend (Jun-22)	% Spend against CY Forecast
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Childrens Service</b>	4,490	0	0	4,490	0	0	254	<b>5.66</b>
<b>Adults; Housing and Health</b>								
Community Development	1,245	500	0	1,245	500	0	3	<b>0.24</b>
Provider Services	15	0	0	15	0	0	0	<b>0.00</b>
Better Care	1,386	0	0	1,386	0	0	170	<b>12.00</b>
Housing General Fund	1,963	0	0	1,963	0	0	-2	<b>0.00</b>
	<b>4,609</b>	<b>500</b>	<b>0</b>	<b>4,609</b>	<b>500</b>	<b>0</b>	<b>171</b>	<b>3.71</b>
<b>Public Realm</b>								
Highways Maintenance	20,728	3,668	170	20,728	3,668	170	1,557	<b>7.51</b>
Resident Services	1,449	825	0	1,449	825	0	111	<b>8.00</b>
Environment	5,072	62	62	5,072	62	62	6	<b>0.00</b>
Counter Fraud & Investigation	77	0	0	77	0	0	0	<b>0.00</b>
	<b>27,326</b>	<b>4,555</b>	<b>232</b>	<b>27,326</b>	<b>4,555</b>	<b>232</b>	<b>1,674</b>	<b>6.13</b>
<b>Resources &amp; Place Delivery</b>								
Corporate Assets	3,738	0	0	3,738	0	0	230	<b>6.15</b>
Highways Major Projects	14,939	5,000	5,000	13,747	9,249	1,943	4,632	<b>33.69</b>
Regeneration Projects	15,802	18,534	12,128	15,802	18,534	12,128	487	<b>3.08</b>
	<b>34,479</b>	<b>23,534</b>	<b>17,128</b>	<b>33,287</b>	<b>27,783</b>	<b>14,071</b>	<b>5,349</b>	<b>16.07</b>
<b>HR, OD and Transformation</b>	7,707	160	160	7,319	480	93	878	<b>12.00</b>
<b>Strategy; Engagement &amp; Growth</b>	104	0	0	104	0	0	0	<b>0.00</b>
<b>Commercial Services</b>	16	0	0	16	0	0	0	<b>0.00</b>
<b>Total Expenditure - General</b>	<b>78,731</b>	<b>28,749</b>	<b>17,520</b>	<b>77,151</b>	<b>33,318</b>	<b>14,396</b>	<b>8,326</b>	<b>10.79</b>

## Appendix 5 – Capital Programme Financial Forecast at Quarter 1

Summary of the 2022/23 General Fund Capital Programme, by scheme status	Project Status	Approved Budget			Projected Outturn			CY Spend (Jun-22)	% Spend against CY Forecast
		2022/23	2023/24	2024/25	2022/23	2023/24	2024/25		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	<i>Work commenced</i>	2,265	0	0	2,265	0	0	238	
	<i>Scheme completed</i>	235	0	0	235	0	0	0	
	<i>Completed retention o/s</i>	54	0	0	54	0	0	0	
	<i>Demand led</i>	1,936	0	0	1,936	0	0	16	
<b>Total: Childrens Service</b>		<b>4,490</b>	<b>0</b>	<b>0</b>	<b>4,490</b>	<b>0</b>	<b>0</b>	<b>254</b>	<b>5.66</b>
	<i>Work commenced</i>	300	0	0	300	0	0	0	
	<i>Scheme completed</i>	137	0	0	137	0	0	137	
	<i>Completed retention o/s</i>	130	0	0	130	0	0	0	
	<i>On hold</i>	2,288	500	0	2,288	500	0	0	
	<i>Demand led</i>	1,754	0	0	1,754	0	0	34	
<b>Total: Adults; Housing and Health</b>		<b>4,609</b>	<b>500</b>	<b>0</b>	<b>4,609</b>	<b>500</b>	<b>0</b>	<b>171</b>	<b>3.71</b>
	<i>Not yet started</i>	2,291	62	62	2,291	62	62	0	
	<i>Design stage</i>	6,028	790	0	6,028	790	0	93	
	<i>Tender preparation</i>	150	0	0	150	0	0	0	
	<i>Work commenced</i>	13,671	3,703	170	13,671	3,703	170	1,550	
	<i>Scheme completed</i>	66	0	0	66	0	0	0	
	<i>Completed retention o/s</i>	30	0	0	30	0	0	0	
	<i>On hold</i>	1,300	0	0	1,300	0	0	0	
	<i>Demand led</i>	3,790	0	0	3,790	0	0	31	
<b>Total: Public Realm</b>		<b>27,326</b>	<b>4,555</b>	<b>232</b>	<b>27,326</b>	<b>4,555</b>	<b>232</b>	<b>1,674</b>	<b>6.13</b>

## Appendix 5 – Capital Programme Financial Forecast at Quarter 1

Summary of the 2022/23 General Fund	Project Status	Approved Budget			Projected Outturn			CY Spend (Jun-22)	% Spend against CY Forecast
		2022/23	2023/24	2024/25	2022/23	2023/24	2024/25		
	<i>Not yet started</i>	4	0	0	4	0	0	0	
	<i>Design stage</i>	3,870	0	0	3,870	0	0	186	
	<i>Work commenced</i>	25,612	5,288	5,444	24,420	9,537	2,387	4,749	
	<i>Scheme completed</i>	1,029	0	0	1,029	0	0	3	
	<i>Completed retention o/s</i>	108	0	0	108	0	0	0	
	<i>On hold</i>	4	0	0	4	0	0	0	
	<i>Demand led</i>	2,245	0	0	2,245	0	0	246	
	<i>Feasibility Stage</i>	1,584	18,246	11,684	1,584	18,246	11,684	165	
	<i>Scheme Removed</i>	23	0	0	23	0	0	0	
<b>Total: Resources &amp; Place Delivery</b>		<b>34,479</b>	<b>23,534</b>	<b>17,128</b>	<b>33,287</b>	<b>27,783</b>	<b>14,071</b>	<b>5,349</b>	<b>16.07</b>
	<i>Not yet started</i>	1,135	93	93	1,135	93	93	0	
	<i>Work commenced</i>	5,791	0	0	5,790	0	0	837	
	<i>Scheme completed</i>	20	0	0	20	0	0	6	
	<i>On hold</i>	404	67	67	17	387	0	0	
	<i>Demand led</i>	357	0	0	357	0	0	35	
<b>Total: HR, OD and Transformation</b>		<b>7,707</b>	<b>160</b>	<b>160</b>	<b>7,319</b>	<b>480</b>	<b>93</b>	<b>878</b>	<b>12.00</b>
	<i>Work commenced</i>	104	0	0	104	0	0	0	
<b>Total: Strategy; Engagement &amp; Growth</b>		<b>104</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
	<i>Work commenced</i>	16	0	0	16	0	0	0	
<b>Total: Commercial Services</b>		<b>16</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Total Expenditure - General Fund</b>		<b>78,731</b>	<b>28,749</b>	<b>17,520</b>	<b>77,151</b>	<b>33,318</b>	<b>14,396</b>	<b>8,326</b>	<b>10.79</b>

## Appendix 5 – Capital Programme Financial Forecast at Quarter 1

Summary of the 2022/23 Housing Revenue Account Capital Programme		Approved Budget			Projected Outturn			CY Spend (Jun-22)	% Spend against CY Forecast	
		2022/23	2023/24	2024/25	2022/23	2023/24	2024/25			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Adults, Health and Housing										
Housing Development		1,644	4,230	121,241	1,644	4,230	121,241	-177		
Transforming Homes		53,284	0	0	50,363	0	0	4,724		
<b>Total Expenditure - HRA</b>		<b>54,928</b>	<b>4,230</b>	<b>121,241</b>	<b>52,007</b>	<b>4,230</b>	<b>121,241</b>	<b>4,547</b>	<b>8.74</b>	
Summary of the 2022/23 Housing Revenue Account Capital Programme, by scheme status		Project Status	Approved Budget			Projected Outturn			CY Spend (Jun-22)	% Spend against CY Forecast
			2022/23	2023/24	2024/25	2022/23	2023/24	2024/25		
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	
		<i>Not yet started</i>	1,466	4,230	110,515	1,466	4,230	110,515	0	
		<i>Work commenced</i>	53,462	0	10,725	50,541	0	10,725	4,331	
		<i>Completed retention o/s</i>	0	0	0	0	0	0	-202	
		<i>Demand led</i>	0	0	0	0	0	0	418	
<b>Total Adults, Health and Housing - HRA</b>			<b>54,928</b>	<b>4,230</b>	<b>121,240</b>	<b>52,007</b>	<b>4,230</b>	<b>121,240</b>	<b>4,547</b>	<b>8.74</b>