

<b>13 September 2023</b>		<b>ITEM: 12</b> <b>Decision:110666</b>
<b>Cabinet</b>		
<b>2023/24 Quarter 1 Forecast Revenue and Capital Outturn</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor Graham Snell, Cabinet Member for Finance		
<b>Accountable Assistant Director:</b> N/A		
<b>Accountable Director:</b> Jonathan Wilson, Acting Director of Finance and S151 Officer/Steve Mair, Chief Financial Officer		
<b>This report is Public</b>		

## Executive Summary

This report sets out the estimated forecast revenue outturn position for 2023/24 for the General Fund, Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and Public Health Grant.

## General Fund

The month 3 general fund position is a forecast underspend of £1.036m including the current assumed capitalisation directive of £180.159m as set out below:

<b>General Fund</b>	<b>Current Budget £'000</b>	<b>Period 3 Forecast £'000</b>	<b>Period 3 Forecast Variance £'000</b>
Directorate position	168,591	171,196	<b>2,605</b>
Intervention & Transformation	18,721	18,721	<b>0</b>
Central Financing	<b>(158,768)</b>	<b>(158,768)</b>	<b>0</b>
Treasury	154,616	150,975	<b>(3,641)</b>
Capitalisation Direction	<b>(180,159)</b>	<b>(180,159)</b>	<b>0</b>
Use of general reserves	<b>(3,001)</b>	<b>(3,001)</b>	<b>0</b>
<b>Quarter 1 General Fund position</b>	<b>0</b>	<b>(1,036)</b>	<b>(1,036)</b>

The directorate position is forecast to overspend by £2.605m against a revised budget of £168.591m, equivalent to 1.5%.

An estimated underspend within the Treasury management function of £3.641m reduces the overall position to £1.036m less than the assumed general fund budgeted levels.

It is noted this projected underspend would reduce the planned capitalisation direction by £1.036m.

The financial accounts of the Council remain open from 2020/21 onwards and further issues could be identified which impact on the current position.

### **Housing Revenue Account (HRA)**

The HRA is forecast to break even for the year as set out in section 5 of the report.

### **Dedicated Schools Budget (DSG)**

The current projected outturn for 2023/24 is a breakeven position as set out in section 6 of the report.

### **Public Health**

The current projected outturn for 2023/24 is a breakeven position as set out in section 7 of the report.

### **Capital Programme**

The General Fund (GF) and HRA Capital Programme positions are set out in section 8. There is forecast slippage on the GF programme of £7.46m against a budgeted programme of £75m. There is a further £119m of GF projects that are currently on hold. The HRA capital programme remains on track for delivery.

## **1. Recommendation(s)**

- 1.1. That Cabinet note the overall forecast general fund outturn position for period 3 is an underspend of £1.036m.**
- 1.2. That Cabinet note that directors with significant adverse variances will continue to review directorate budgets and identify mitigating actions to resolve the forecast pressure against the 2023/24 budget.**
- 1.3. That Cabinet note the potential risks to the position listed noted in section 4 and the following specific risks noted within the report:**
  - a) There are an ongoing assessment of the investment portfolio values which will need to be reflected on an ongoing basis with the next update scheduled for Quarter 2.**

- b) The requirement to change the accounting for cloud-based IT costs continues to be assessed in both the current and prior years and is likely to have a material short-term impact.**
- c) There are ongoing wider financial accounting assessments related to prior periods which may also need to be considered.**

**1.4. That Cabinet note the HRA, DSG and Public Health project to deliver the budget within the existing funding envelopes.**

**1.5. That Cabinet note and comment on the capital programme, the current projected slippage of £7.46m and the impact on MRP.**

**1.6. That Cabinet note that the position will remain provisional as further substantive work is undertaken, notably in preparation of historic accounts, which could have an impact on current or future years.**

## **2. Introduction and Background**

2.1 On 1 March 2023, Full Council agreed the 2023/24 budget proposals which enabled a balanced budget to be set based on the following key assumptions:

- 9.99% council tax increase, including a hardship fund of £0.616m,
- £8.146m of service savings, including £2m vacancy factor,
- 4% staff pay award for 2023/24 and budget adjustment to reflect the change to the 22/23 pay policy,
- Exceptional Financial Support from Central Government in the form of a capitalisation direction of £180m.

2.2 The budget was set in the context of the scale of the financial risk faced by the Council which had been provisionally quantified as part of the 2022/23 Quarter 2 financial report presented to Cabinet on 14 December 2022. This confirmed the need for exceptional financial support from government. This is because the actions the Council can take to mitigate the scale of financial losses reflected will not be sufficient to address these losses. Consequently, there was, and remains, no clear path to financial sustainability without exceptional support from government and discussions continue with officials at DLUHC to consider this position.

2.3 The current economic climate provides further relevant context for this report. The Bank of England has announced interest rates will be rising to 5% and inflation is still exceeding 7%. The cost-of-living crisis is a well-publicised national issue impacting residents and businesses. The Council

is not immune to the effects of the wider economic position and accurately forecasting for income and expenditure remains difficult in these challenging times.

### 3. Quarter 1 General Fund Budget monitoring

#### Overall Position

3.1 The quarter 1 forecast outturn position for 2023/24 is set out in the table below. There is a pressure within the directorate position of £2.605m, against a revised budget of £168.591m, this is equivalent to 1.5%:

**Table 1 Quarter 1 General Fund forecast outturn:**

Interim Directorate Structure	Current Budget £'000	Period 3 Forecast £'000	Period 3 Forecast Variance £'000
Adult Social Care	54,771	54,099	(672)
Children's Services	44,020	45,060	1,040
Finance	6,480	6,660	102
Housing General Fund	2,208	2,267	59
HR, OD, and Transformation	8,960	10,136	1,176
Legal & Governance	3,906	3,983	77
Place	11,893	12,891	998
Public Realm	31,593	31,546	(47)
Strategy, Communication & Customer Services	2,776	2,648	(128)
Corporate Costs	1,985	1,907	0
<b>Directorate position</b>	<b>168,591</b>	<b>171,196</b>	<b>2,605</b>
Additional resource & capacity	5,889	5,889	0
Commissioner support	317	317	0
<b>Intervention and Commissioners Process</b>	<b>6,206</b>	<b>6,206</b>	<b>0</b>
<b>Transformation Implementation (one-off)</b>	<b>12,515</b>	<b>12,515</b>	<b>0</b>
Use of reserves	(3,001)	(3,001)	
Treasury	154,616	150,975	(3,641)
Central Financing	(158,320)	(158,320)	0
Housing Benefits	(448)	(448)	0
Capitalisation Directive	(180,159)	(180,159)	0
Funding	(187,312)	(190,953)	(3,641)
<b>MONTH 3 POSITION</b>	<b>0</b>	<b>(1,036)</b>	<b>(1,036)</b>

## Directorate Position

Key variances are set out below for each directorate:

### 3.2 Table 2 Adult Social Care

Service	Current Budget £'000	Quarter 1 Forecast £'000	Variance to budget £'000	% Variance to budget
Assistive Equipment & Technology	699	699	0	0%
Commissioning & Service Delivery	(1,129)	(1,123)	6	-1%
Community Development	2,175	2,133	(41)	-2%
External Placements	38,843	38,281	(562)	-1%
Fieldwork Services	5,014	5,022	8	0%
Provider Services	9,170	9,087	(83)	-1%
	<b>54,771</b>	<b>54,099</b>	<b>(672)</b>	<b>-1%</b>

3.2.1 Forecast underspend of £0.672m (1%) against a revised budget of £54.8m. The key variances are:

3.2.2 **£0.562m** forecast underspend within the provision for External Placements. This budget represents the biggest expenditure item within the ASC budget (£38.8m). This is a demand-led budget, which is held at client need level and includes care packages for residential and nursing care, domiciliary homecare and supported living. This is the current projected outturn position and includes planned expenditure for uplifts in the contract cost for working age adults, which are agreed on an individual basis.

3.2.3 Furthermore, this also takes into account assumed packages where children are transitioning into adulthood, and subsequently their care costs are transferred over to Adult Social Care throughout the year. Both will be subsumed into the outturn position once formalised and will form part of the core budget.

3.2.4 **£0.083m** forecast underspend within internal Provider Services. This is a demand-led service and includes Collins House Residential Home and the Caring for Thurrock team. At present, this has a significantly reduced spend on overtime, additional bank usage and agency staff. There is also an element of one-off income that improves the forecast outturn.

3.2.5 **£0.41m** underspend within Community Development. An operational underspend due to current vacancies, all savings within community development are on target to be achieved. This service area includes the provision of libraries and community hubs.

### 3.3 Table 3 Children's Services

Service	Current Budget £'000	Quarter 1 Forecast £'000	Variance to budget £'000	% Variance to budget
Children and Family Services	34,851	35,891	1,040	3%
Education & Skills	4,624	4,624	0	0%
School Transport	4,545	4,545	0	0%
	<b>44,020</b>	<b>45,144</b>	<b>1,040</b>	<b>3%</b>

3.3.1 Forecast overspend of £1.040m (3%) against a revised budget of £44m. The key variances are:

3.3.2 **£0.656m** (5%) overspend within Placement Support as shown in the below table:

*Table 4 Placements Support*

Placement Type	Current Budget £'000	Quarter 1 Forecast £'000	Variance to budget £'000
Placed with Parent / Adoption	0	0	0
Supported Accommodation	1,000	1,288	288
External Fostering	5,054	4,045	(1,009)
External Residential	7,960	6,166	(1,794)
Secure Placement	0	193	193
Unregulated	0	2,993	2,993
Joint Funded Contribution	(500)	(624)	(124)
Contingency Inflation / Demand	0	109	109
<b>Total</b>	<b>13,514</b>	<b>14,170</b>	<b>656</b>

3.3.3 There are currently 10 high-cost placements with a total forecast of £5.381m. The 2022/23 outturn position was £4.690m. The Directorate, as part of placement panel meetings, has an ongoing review of all high-cost placements. Pressures are being experienced across the South-east with current pressures forecast up to the range of 12%. The directorate, with support from Finance will keep under review the sector position in what is a very volatile care system.

- 3.3.4 **£0.346m** overspend within the Brighter Futures Prevention Service – children with disabilities (CWD) short breaks. The overspend is a result of an increase in Direct payments and short break packages to support young people remaining in their home. This is essential early intervention that supports the child to remain with parents and prevent them from becoming looked after.
- 3.3.5 **£0.443m** overspend within Unaccompanied Asylum-Seeking Children (UASC). There are currently 47 UASC. The Home Office have advised that a higher rate of £143 will be paid for qualifying UASC as of the 31<sup>st</sup> of March 2023. However, at this stage detailed information on eligibility has not been received from the Home Office to allow this increase in rates to be included in the forecast.
- 3.3.6 There is currently a substantial shortfall between the funding local government receives and the actual cost of caring for UASC, as well as costs associated with providing age assessments. This is an area that the East of England Director of Children Services are to explore further to understand the issues regionally and facilitate national discussions.
- 3.3.7 **£0.324m** underspend in Children and Family Services. Included in agreed savings plans are a review of the Social Care operating model, with a full year impact of £0.311m. Delays have also been experienced in the recruitment to posts and posts being held vacant to support the delivery of the planned reduction to be implemented from September 2023.
- 3.3.8 **£0.081m** forecast underspend within Aftercare Services. This is predominantly a demand-led service and includes supporting young people to live independently. There is also an element of one-off additional grant income that improves the forecast outturn.
- 3.3.9 Home to School Transport is currently forecasting a break-even position. The MTFs 2023/24 provided £1.243m for budget realignment and inflationary pressures. In September there will be changes in routes and the number of children being transported due to new routes starting for the academic year and children leaving schools. Inflation and contingency of £0.879m is available to support this change.

### 3.4 Finance

Table 5 Finance

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget	% Variance to budget
Chief Executive's Support Services	502	524	22	4%
Contract & Procurement Management	869	839	(30)	-3%
Corporate Finance	1,719	1,745	26	1%
Insurance	828	857	29	4%
Revenues and Benefits	2,640	2,695	55	2%
	<b>6,558</b>	<b>6,660</b>	<b>102</b>	<b>2%</b>

3.4.1 Forecast overspend of £0.102m (2%) against a revised budget of £6.6m. The key variances are:

3.4.2 **£0.075m** Accounting software licenses which can no longer be capitalised were unbudgeted within the revenue account. This follows a confirmed change of approach to the accounting treatment of cloud-based software licenses. This is partly mitigated by additional income within the corporate finance team.

3.4.3 Other pressures include increased postage costs and subscriptions to professional bodies across the various teams.

### 3.5 Housing General Fund:

Table 6 HGF

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget	% Variance to budget
Homelessness	986	1,045	59	6%
Private Sector Housing	1,169	1,169	0	0%
Travellers	53	53	0	0%
	<b>2,208</b>	<b>2,267</b>	<b>59</b>	<b>3%</b>

3.5.1 Forecast overspend of £0.059m (3%) against a revised budget of £2.2m. The key variances are:

3.5.2 **£0.059m** overspend against the homelessness budget due to the high level of demand for temporary accommodation above and beyond the utilisation of more cost-effective temporary accommodation portfolio. This is a demand led service supporting some of the most vulnerable people and the cost-of-living



and high levels of inflation continues to impact the number of people requiring support.

3.5.3 It is likely the number of cases will continue to grow steadily throughout the year, currently there are on average 329 placements per month. Significant investment has been made into the service to find alternative accommodation solutions to bed and breakfast by offering people furnished lettings within the Council owned stock as an alternative to privately owned nightly lets. The ongoing utilisation of the council existing stock is one of the few ways in which the department can manage costs in the face of rising demand. It also offers a better solution to people that are in need of temporary accommodation.

### 3.6 HR, OD & Transformation

Table 7 HROD

Service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000	% Variance to budget
HR; OD and Transformation	4,800	5,022	222	5%
ICT	4,160	5,113	954	23%
	<b>8,960</b>	<b>10,136</b>	<b>1,176</b>	13%

3.6.1 Forecast overspend of £1.176m (13%) against a revised budget of £8.96m. The key variances are:

3.6.2 **£0.954m** overspend against the ICT budget of £4.1m because of £0.550m Microsoft License costs and £0.633 pressure from unachieved capitalisation target, partly offset against (£0.200m) ICT service's mitigating actions resulting in savings on rationalisation of other contracts and further efficiencies.

3.6.3 This reflects the consequence of accounting for IT expenditure through revenue rather than capital. The technical accounting treatment remains under review and the associated impact on corresponding MRP is also being assessed. The service will continue to review the wider directorate position to mitigate part of this cost but acknowledge that it will be difficult to contain this additional significant cost within the 2023/24 directorate budget allocation. Work has been instigated to review this and seek to identify mitigating options. An update will be provided at quarter 2.

3.6.4 There remains further risk from the assessment of prior years as part of the financial accounting work which will reconsider costs back to 2018/19. Once complete the impact will be considered.

3.6.5 **£0.044m** overspend Corporate Programme Team reflects unachievable capitalisation of programme staff costs linked to cloud-based projects that can

no longer be capitalised. As above, finance and the service continue to review all capitalisation assumptions and will update at quarter 2.

3.6.6 **£0.178m** reflects full utilisation of the HR staffing budget to deal with increasing demands on the service, therefore impacting on the achievement of the vacancy factor target.

### 3.7 Legal & Governance

*Table 8 Legal*

<b>Service</b>	<b>Current Budget £'000</b>	<b>Period 3 Forecast £'000</b>	<b>Variance to budget £'000</b>	<b>% Variance to budget</b>
Democratic Services	264	277	14	5%
Electoral Services	457	471	14	3%
Legal Services	2,281	2,356	74	3%
Members Services	904	880	(24)	-3%
	<b>3,906</b>	<b>3,984</b>	<b>78</b>	<b>2%</b>

3.7.1 Forecast overspend of £0.078m (2%) against a revised budget of £3.9m. The key variances are:

3.7.2 **£0.074m** This represents the element of the allocated vacancy factor target of £0.110m that is at risk. Staffing underspends of £0.026m have been identified but there remains a wider review of the structure for which the budgetary impact is yet to be quantified.

### 3.8 Place

*Table 9 Place*

<b>Service</b>	<b>Current Budget £'000</b>	<b>Period 3 Forecast £'000</b>	<b>Variance to budget £'000</b>	<b>% Variance to budget</b>
Economic Growth & Partnerships	643	654	12	2%
Lower Thames Crossing & Transport Infrastructure Service	145	462	317	219%
Place Delivery	286	286	0	0%
Planning; Transportation and Public Protection	5,869	5,925	56	1%
Property	4,950	5,563	613	12%
	<b>11,893</b>	<b>12,891</b>	<b>998</b>	<b>8%</b>

3.8.1 Forecast overspend of £0.998m (12%) against a revised budget of £11.9m. The key variances are:

3.8.2 **£0.317m** Lower Thames Crossing is forecast to overspend. This is due to (predominantly legal) costs which cannot be funded from the National Highways PPA. These costs are estimated at £0.594m but they will be partly mitigated with the Lower Thames Crossing core budget and the dedicated reserve leaving the remaining pressure as £0.317m

3.8.3 It should be noted that without this pressure the overall Place position would be £0.681m overspent, an improvement of £0.268m on the period 2 reported position.

3.8.4 **£0.613m** forecast overspend for the Property budget:

- **£0.236m** pressure from Asset management team costs. There has been a large turnover of staff and a heavy reliance on agency personnel. A programme of recruitment is being progressed to reduce the number of agency staff, but this is a sector that remains difficult to recruit to.
- **£0.364m pressure** due to delays in making a decision on the use of the Thameside complex – this relates to the ongoing cost of running the building against a reduced budget. The running of the theatre is reflected within the Economic Development service and assumes a breakeven position now that approval has been given to hold the pantomime later in the year. This is always the theatre's most popular show, costs and sales will need to be monitored as the arrangements are finalised to determine any further budgetary impact.
- **£0.203m** running costs for the Civic Offices. The offices have been subject to a business rates revaluation following completion of the CO3 building works and there has been an increase of £0.056m pa. The current forecast includes 2 years charges, last year and current. In addition to this a tenant in CO2 (the NHS CCG) has just vacated the space they were renting and so the current projected in-year income shortfall is £75k. Use of the building is currently under review to identify opportunities for new lettings.
- **£0.209m** underspend against the Land & Buildings budget, this includes £0.323 increased income generated through leasing commercial properties. There has been a review of existing leases and new tenants secured. This position continues to be closely monitored as the time taken to complete the legal process associated with this activity can impact the in-year position.

### 3.9 Public Realm

Table 10 Public Realm

Service	Current Budget £'000	Month 3 Forecast £'000	Variance to budget £'000	% Variance to budget
Counter Fraud & Enforcement	(1,197)	(1,060)	137	-11%
Emergency Planning and Resilience	479	468	(11)	-2%
Environment and Highways	1,553	1,489	(64)	-4%
Highways; Fleet and Logistics	8,196	8,397	201	2%
Street Scene and Leisure	22,562	22,253	(310)	-1%
	<b>31,593</b>	<b>31,547</b>	<b>(46)</b>	0%

3.9.1 Forecast underspend of £0.046m (0.1%) against a revised budget of £31.6m. The key variances are:

3.9.2 £0.137m Counter Fraud & Enforcement overspend largely due to a forecast under-recovery on Penalty Charge Notices (income). This service requires a full staffing establishment to generate income and is currently in the process of recruiting to vacancies.

3.9.3 £0.201m Highways, Fleet & Logistics forecast overspend primarily due to traffic management costs including pothole repairs.

3.9.4 £0.310m Street Scene & Leisure underspend primarily due to a positive waste disposal position and reduced staff costs in Cleaner Greener. The changes to the Waste service continue to be monitored. There remains a variable element to disposal contracts which can be impacted by volume and type of waste being disposed of. Bi-weekly collections have commenced for garden and recycling and budgetary impacts continue to be monitored to manage the budgetary impact.

### 3.10 Strategy, Communication & Customer Service

Table 11 Strategy

Sub-service	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000	% Variance to budget
Social Care Performance	726	726	(1)	0%
Corporate Communications	341	336	(6)	-2%
Customer Services	1,502	1,341	(162)	-11%
Registrars	(45)	(2)	43	
Strategy Team	251	248	(3)	-1%
	<b>2,776</b>	<b>2,648</b>	<b>(128)</b>	<b>-5%</b>

3.10.1 Forecast underspend of £0.128m (5%) against a revised budget of £2.8m: The key variance is:

3.10.2 **£0.150m** Staffing underspends within Customer Services

3.10.3 **£0.017m** income shortfall for the Registrars service due to a reduction in the number of ceremonies that the service has been able to accommodate.

### 3.11 Other Corporate Costs

3.11.1 Forecast to contain costs within the budgeted allocation of £1.9m. This covers items such as audit fees, pension/overheads, and levies.

### 3.12 Savings

3.12.1 Extensive work has been undertaken by the Change Team and service areas to provide clarity on the position of the 70 savings initiatives agreed by Full Council on 1 March 2023.

3.12.2 As has been reported previously, proposed changes to the original proposals will require a formal change control process. This will include documentation to capture the justification for the change as well as a business case for the replacement saving.

3.12.3 This work is ongoing; the quarter 1 review shows 93% of the savings have either been achieved or are on track to be achieved by the end of the financial year.

### 3.13 Intervention & Commissioner Support

3.13.1 There is a £6.2m budget for the Resources & Capacity Plan –this covers commissioner costs, additional capacity to support the recovery plan and

specialist advice regarding the investment’s portfolio. The period 3 position currently assumes this allocation will be spent in full. The plan remains under review and will be updated to respond to the demands of the business. Indicative spend is set out below:

*Table 12 Indicative Intervention & Commissioner costs*

<b>Theme</b>	<b>Estimated cost £'000</b>
Financial Sustainability	3,363
Place Leadership & Growth	1,102
Leadership & Culture	540
Improvement & Recovery	432
Governance & Scrutiny	350
Strategic Direction	102
<b>Total Resource &amp; Capacity</b>	<b>5,889</b>
Commissioners & BVI	317
<b>Total Commissioner support</b>	<b>317</b>
<b>Total Intervention &amp; Commissioner support costs</b>	<b>6,206</b>

3.13.2 There is the potential for costs associated with the legal action/administration process to be recouped but at this stage remain a cost to the council. These costs are included within the Financial Sustainability theme in the above table.

### **3.14 Transformation Implementation**

3.14.1 There is a one-off £12m Transformation Implementation budget for 2023/24. This allocation is intended to meet the cost of implementing wider transformational change – the Change Team are in place and have commenced the programme of work and potential requirements against this budget for 2023/24 will be identified.

3.14.2 Alongside the Change Team, external resource has been procured to determine wider opportunities for transformational change and ongoing budgetary savings. Invest-to-save projects may be identified as part of this workstream.

3.14.3 The projected position is prudently forecast to spend this allocation in full whilst work continues to confirm requirements. There are current quantified commitments to the value of £1.3m in the first quarter. The budget is under review and any remaining balance will be placed into an earmarked reserve and carried forward to 2024/25 to further support the Authority through this period of change.

### 3.15 Treasury

3.15.1 The in-year treasury position is shown below. It is assumed that £3.6m will be placed into the Treasury Equalisation Reserve to provide further protection from adverse pressures arising in this area:

Table 13 Treasury

	Current Budget £'000	Period 3 Forecast £'000	Variance to budget £'000
<b>MRP on Capital Programme</b>			
MRP - Asset Life (Supported)	1,488	2,229	741
MRP - Asset Life (Unsupported)	8,632	6,960	(1,671)
	<b>10,120</b>	<b>9,189</b>	<b>(931)</b>
<b>Borrowing Costs</b>			
Interest - PWLB - Existing		38,057	
Interest - PWLB - Refinancing	50,501	18,279	
Less HRA Recharges		(7,534)	
	<b>50,501</b>	<b>48,802</b>	<b>(1,699)</b>
Interest - Market Loans	1,810	1,911	101
Interest - CD Premium	950	837	(113)
	<b>53,261</b>	<b>51,551</b>	<b>(1,710)</b>
<b>Total Costs</b>	<b>63,380</b>	<b>60,740</b>	<b>(2,641)</b>
<b>Investment Income</b>	<b>(9,114)</b>	<b>(13,714)</b>	<b>(4,600)</b>
<b>Other Treasury Costs</b>			
Brokerage Fees	1,928	1,928	0
Internal Deposits	405	405	0
Premiums and Discounts	421	421	0
	<b>2,754</b>	<b>2,754</b>	<b>0</b>
MRP on Investments	74,976	74,976	0
MRP on CD	22,619	22,619	0
	<b>97,595</b>	<b>97,595</b>	<b>0</b>
<b>Total Treasury</b>	<b>154,616</b>	<b>49,780</b>	<b>(7,241)</b>
<b>Contribution to Reserves</b>			<b>3,600</b>
<b>Treasury Outturn Forecast</b>			<b>(3,641)</b>

3.15.2 Key variances have been explained below:

MRP on existing capital programme

3.15.3 A reduction in the projected capital expenditure in the previous financial year has resulted in a reduction in associated MRP charges in 2023/24.

#### Borrowing Costs

3.15.4 Interest expenditure costs are forecast to be £1.710m under budget during the financial year. The reasons for this variance are as follows:

- Deferral of the dates for which the Council expected to draw down borrowing based on an improved cash flow position.
- Management of the cash flow position ensures the most efficient use of borrowing.
- Improvement in the investment income position at the end of the previous financial year which further reduced the borrowing requirement of the Council.

#### Investment Income

3.15.5 - An additional level of investment income of £4.6m, above the budget is predicted for 2023/24. This is largely linked to one specific investment in the renewable energy sector which has made a higher level of equity distribution than planned. This was based on improved performance of the underlying assets. The additional income is planned to be transferred to the Treasury Equalisation reserve, to provide further contingency against potential treasury pressures in future years.

#### Investment Valuations

3.15.6 The valuation of the investment portfolio remains under ongoing review. There are no further changes to report as part of the quarter 1 reporting but there will be further updates in quarter 2. There remains potential for both upside and downside risk from the position reported as part of the provisional outturn for 2022/23. These will ultimately impact on the final balance of the capitalisation direction sought from government.

### **3.16 Central Financing**

3.16.1 There are currently no significant variances identified within the central financing allocation which covers council tax, NNDR and government grants. The collection fund will continue to be monitored throughout the year.

### **3.17 Capitalisation Direction**

3.17.1 The current budget assumes £180.159m of further exceptional support in 2023/24 and this position continues to be monitored alongside wider reviews of the financial position. It is noted the projected underspend would reduce the planned capitalisation direction for 2023/24 by £1.036m.

### **3.18 Use of General Reserves**



3.18.1 The 2023-24 budget assumes that £3m of reserves would be used to support the delivery of the general fund base budget. The funding is available and the current assessment of the planned use of earmarked reserves will be presented as part of the quarter 1 position to cabinet.

## 4. Risk

4.1 The period 3 forecast outturn position is based on several assumptions, and it is noted there are several risks which could affect the position as the year progresses and these are set out below:

*Table 14 Key risks*

<b>Risk Area</b>	<b>Concern</b>
Inflation	<ul style="list-style-type: none"> <li>• Inflation remains high (over 7%) and continues to impact supply chain costs across many services. Whilst there is some evidence that this has tailed off recently, it remains an area of focus for the authority.</li> <li>• Energy costs continue to fluctuate impacting Corporate Landlord services.</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, around energy costs, inflation, and wage pressures. Fee uplifts required to maintain care packages for vulnerable people could exceed budgeted levels.</li> </ul>
Ongoing Demand Volatility	<ul style="list-style-type: none"> <li>• Following the pandemic the level of demand for key services within the system and particularly within the Social Care services has risen.</li> <li>• Increases in the level of need for people being discharge from hospital requiring continuing social care support to live independently outside of residential care.</li> <li>• Increased complexity and the associated requirement for additional care support for Looked After Children</li> <li>• Demand of people facing potential homelessness including mental health issues, substance abuse, domestic violence, as well as people experiencing financial hardship in the current economic climate</li> </ul>
Delivery Risk	<ul style="list-style-type: none"> <li>• Savings which were applied to the 2023/24 budget allocation need to be achieved and further savings identified, effective monitoring through the DRA process needs to remain in place and mitigating action taken where non-delivery of savings is identified.</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>
Waste Collection	<ul style="list-style-type: none"> <li>• There have been several changes to the waste collection service and the wider strategy is under review which could impact staff requirements and disposal costs.</li> </ul>
School Transport	<ul style="list-style-type: none"> <li>• New academic year changes to routes, contracts, numbers, and inflation uplift, based on September RPI. Funds available to support but a risk until pupil movement and value of contracts is known.</li> </ul>

## 5. Housing Revenue Account

5.1 The summary position of the Housing Revenue Account is shown in the Table below, there is a breakeven position forecast for the year:

Table 15 HRA

Service	Current Budget	Period 3 Forecast	Variance to Budget	Comments
	£'000	£'000	£'000	
Housing Development	288	288	0	Development Team projects funded by available reserves and TRL Ltd (through SLAs).
Financing and Recharges	26,469	25,965	(504)	Cost of borrowing, Central Charges and Revenue Contribution to Capital
Rent and Income	(54,955)	(54,955)	0	Forecast on-line currently. Impact of rent loss on Voids and RTB sales factored into the position
Repairs and Maintenance	13,207	13,410	203	Forecast a small overspend on void repairs. No further significant additional demands at present
Operational Activities	14,991	15,142	151	Position includes a (£0.547m) vacancy factor applied to budget, funded through the savings on staff turn-over
Additional Revenue Contribution to Capital		150	150	Any revenue surplus could be used as a contribution to Capital to reduce the prudential borrowing requirement
<b>Grand Total</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	

## 6. Dedicated schools Budget

6.1 The current projected outturn for 2023/24 is a breakeven position as shown below:

Table 16 DSG

DSG 2023/24	Funding Settlement	Academy Recoupment	Funding Block Transfer	Final DSG	Projected Outturn	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Schools	156,834	(150,641)	(742)	5,450	5,174	(276)
Central Services	1,632	0	0	1,632	1,581	(51)
High Needs	36,714	(6,985)	742	30,471	30,826	355
Early Years	13,679	0	0	13,679	13,650	(28)
<b>Total</b>	<b>208,858</b>	<b>(157,626)</b>	<b>0</b>	<b>51,232</b>	<b>51,232</b>	<b>(0)</b>

6.2 At this stage pupil movement, within 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 and allow a more accurate picture of the projected outturn to be known. It is expected that this can be contained within the funding available.

6.3 Grays Convent High School is reporting a breakeven position.

## 7. Public Health Grant

7.1 The Public Health Grant was increased by £0.384m in 2023/24, to give an overall allocation of £12.295m for the main grant. This is supplemented by the planned use of reserves as set out below.

7.2 The increase in funding has been allocated to meet the costs of rising contractual arrangements for the provision of services relating to staffing and treatment contracts, and in the main, has been passported directly to primary care providers to ensure continuity in our services for residents.

7.3 There is active discussion underway to identify any savings though the assessment of contracts that are due to be re-commissioned at the end of the financial year. Contracts are progressing through the tender and approval processes.

## Public Health Reserves

7.4 In the current year, it is planned to fully use the health inequalities and the specific grant funding reserve.

Table 17 Public Health Reserves

Reserve	Opening Reserve 2023/24
Public Health Grant	(684)
Health inequalities funding	(350)
Specific Grant Funding	(226)
<b>Total</b>	<b>(1,260)</b>

## 8. Capital Programme

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.

### General Fund Schemes

8.2 The current position for the General Fund schemes 2023/24 is summarised in the below table:

Table 18 Capital Programme – Projected Outturn as at Quarter 1

Summary of the 2023/24 General Fund Capital Programme - by Directorate	Latest Agreed Budget	Projected Outturn	Projected Outturn Variance
<b>Expenditure:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adults; Housing and Health	1,438	1,427	(11)
Children's Services	14,025	14,006	(19)
HR; OD and Transformation	3,335	2,196	(1,139)
Place	44,960	39,430	(5,530)
Public Realm	11,179	10,428	(751)
Strategy; Engagement & Growth	139	129	(10)
<b>Total Expenditure</b>	<b>75,076</b>	<b>67,616</b>	<b>(7,460)</b>
<b>Resources:</b>			
Prudential Borrowing	(32,826)	(29,228)	3,598
Capital Receipts	(18)	0	18
Government Grants	(35,716)	(33,558)	2,158
Other Grants	(4,648)	(4,354)	294
Developer Contributions (S 106)	(1,868)	(476)	1,392
<b>Total Resources</b>	<b>(75,076)</b>	<b>(67,616)</b>	<b>7,460</b>
<b>Forecast Deficit/(Surplus) in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 8.3 The table above also shows a projected outturn at the end of the financial year of £67.616m, which is £7.460m less than the latest agreed budget of £75.076m for the year.
- 8.4 The in-year underspend is principally due to slippage on current schemes (£6.7m). Consequently, the funding remains allocated to specific current schemes and will be re-profiled into subsequent years. The impact of the reprofiling will be an ongoing exposure to inflationary pressures on costs and hence capital budgets. This continues to be assessed on a project-by-project basis.

Table 19 stage

Project Stage	Slippage Amount £'000	Reason
Projects on hold	2,100	Projects on hold pending a Council wide review on viability to proceed.
Early Design Stages	1,600	Projects at an early stage of design/feasibility where decisions to proceed will be taken later in the financial year for implementation at a future date.
Projects Commenced	3,000	Projects include works on the highways network and IT infrastructure which are expected to complete in the next financial year.

8.5 Following the quarter 1 review, projects that have either completed under budget or are no longer proceeding (£0.770m) will have their associated budgets removed from the programme.

### Slippage on Capital Programme

8.6 The slippage on the capital programme schemes over £1m is shown in the table below. A full schedule is shown in appendix 4 and the most significant projects are set out below:

Table 20 Slippage

Description	Carry Forward £'000
A126 Improvements	1,713
Purfleet Land Assembly Development Agreement (R0501)	1,500
B186 West Thurrock Way - Road Capacity and Efficiency Improvement Project (E0915)	1,138

8.7 A126 Improvements – Several quick win improvements are due to be delivered in this financial year. The more complex improvements are being scheduled for future years.

8.8 Further land acquisitions for the Purfleet project are currently on hold with any new purchases unlikely to happen in this financial year.

8.9 Feasibility and design works are being undertaken on the B186 West Thurrock Way project during 2023/24, with the expected works to be undertaken during 2024/25.

- 8.10 The financial impact resulting in the delay of the projects will be assessed and included within the 2024/25 programme. This will range across the schemes and will be subject to further viability assessment.
- 8.11 A schedule of General Fund projects is included in Appendices 1 and 3.
- 8.12 Several capital schemes are expected to complete construction in future years with expenditure totalling £53.196m. Budgets for these schemes have already been profiled accordingly.
- 8.13 Major projects are reported within the current annual budget envelopes as part of this report. The wider detailed updates on project progress will be shared with Cabinet by the lead officers as soon as practicable.

### Projects on Hold

- 8.14 As part of a high-level review of capital activities, several projects have been put 'on hold' meaning that the budgets and financing for these have been temporarily removed from the programme pending a decision on whether they can be reinstated. This will be continued, in conjunction with a review of the remaining programme, in greater detail throughout the year as part of the wider review of the Council's finances and impact of proposed government support. A revised position will be reported to Members as early as is practical in the new financial year. It is noted that should projects be reinstated to the programme there will need to be further consideration of the impact on prudential borrowing and, where this relates to a general fund project, the associated interest, and Minimum Revenue Provision charges to revenue.

*Table 21 Projects currently on hold*

<b>Summary of the 2023/24 Projects on Hold - by Directorate</b>	<b>Budget on Hold</b>
<b>Expenditure:</b>	<b>£'000</b>
Adults; Housing and Health	9,661
Chief Executive's Office	7,000
HR; OD and Transformation	3,208
Place	45,922
Public Realm	53,248
<b>Total Expenditure on Hold</b>	<b>119,039</b>
<b>Resources:</b>	
Prudential Borrowing	(62,958)
Capital Receipts	(4,528)
Government Grants	(46,500)
Other Grants	(5,053)
<b>Total Resources on Hold</b>	<b>(119,039)</b>



8.15 A full schedule of projects on hold is shown in appendix 2

### Housing Revenue Account Capital Schemes

8.16 The out-turn position for Housing Revenue Account schemes for 2023/24 is summarised below.

Table 22 HRA schemes

Summary of the 2023/24 HRA Capital Programme	Latest Agreed Budget	Projected Outturn	Outturn Variance
	£'000	£'000	£'000
<b>Expenditure:</b>			
Housing Development	1,782	1,782	0
Transforming Homes	43,271	43,271	0
<b>Total Expenditure</b>	<b>45,053</b>	<b>45,053</b>	<b>0</b>
<b>Resources:</b>			
Prudential Borrowing	(31,417)	(31,417)	0
Reserves	(230)	(230)	0
Government and Other Grants	(2,237)	(2,237)	0
Major Repairs Reserve	(11,169)	(11,169)	0
<b>Total Resources</b>	<b>(45,053)</b>	<b>(45,053)</b>	<b>0</b>
<b>Forecast under/overspend in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

### HRA Capital Programme

#### Transforming Homes

8.17 The budget for Transforming Homes in 2023/24 is £43.271m and the out-turn spend is £43.271m.

8.18 The Capital programme is being updated as part of the 2023/24 budget review process and will be reported in due course. Consideration will be given to the financial impacts of future slippage on a project-by-project basis.

#### HRA New Build Schemes

8.19 The outturn position for 2023/24 for HRA New Build Schemes are set out in Appendix 2 and primarily covers Loewen Road and feasibility and design works for Teviot Avenue. Projects will utilise receipts held under Right to Buy sharing agreement between the Council and the DLUHC and are forecast to be delivered with the current timeframes and budgets allocations.

Impact on MRP for General Fund scheme slippage and projects removed from the programme.

## **9. Reasons for Recommendation**

- 9.1 The Council has a statutory requirement to set and deliver a balanced budget annually and this can include the use of reserves.
- 9.2 This report sets out the budget pressures in 2022/23 and notes that exceptional financial support is required to deliver a breakeven position.

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

- 10.1 This report is based on consultation with the services, Senior Leadership Team, and Commissioners (Essex County Council).

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

- 11.1 The budget gap identified in the report requires ongoing engagement with the Department for Levelling-up Housing and Communities (DLUHC) regarding exceptional financial support. The outcome of this engagement in terms of conditions applied to the support may require further savings within budgets to be made, potentially impacting on the ability to deliver services to the current levels.

## **12. Implications**

### **12.1 Financial**

Implications verified by: **Jo Freeman**  
**Finance Manager**

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

### **12.2 Legal**

Implications verified by: **Mark Bowen**  
**Interim Project Lead - 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.

Under section 28 of the Local Government Act 2003, the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring

establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. The Council is facing a challenging situation in relation to its budgetary position.

All information regarding Community Equality Impact Assessments can be found here: <https://intranet.thurrock.gov.uk/services/diversity-and-equality/ceia/>

### 12.3 Diversity and Equality

Implications verified by: **Natalie Smith**  
**Strategic Lead - Community Development and Equalities**

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.

### 12.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder or Impact on Looked After Children

None

### 13. 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.

### 14. Appendices to the report

- Appendix 1 – Capital Programme – General Fund – Projected Outturn
- Appendix 2 – Capital Programme – HRA – Projected Outturn
- Appendix 3 – Capital Programme – General Fund – Projected Outturn (Portfolio Analysis)
- Appendix 4 – General Fund Capital Project Slippage
- Appendix 5 – General Fund Projects on Hold

#### Report Author:

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