13 March 2024	ITEM: 26 Decision: 110719

Cabinet

Quarter 3 Forecast Revenue and Capital Outturn 2023/24

Wards and communities affected:	Key Decision:
All	Key

Report of: Councillor Graham Snell, Cabinet Member for Finance

Accountable Assistant Director: Jo Freeman, Acting Assistant Director of Financial Management & Procurement

Accountable Director: Steve Mair, Chief Financial Officer, and S151 Officer

This report is Public

Version: Final / Cabinet

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), Public Health Grant and the capital programme.

General Fund

The 2023/24 Quarter 3 general fund position below sets out a balanced position with the assumed Capitalisation Direction requirement increasing from £180.2m to £235m*:

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 Forecast Variance £'000	Movement £'000
Directorate position	167,904	169,917	2,014	2,361	(348)
Intervention and Commissioners Process	6,206	6,056	(150)	0	(150)
Transformation Implementation (One-off)	12,515	12,515	0	0	0
Central Financing	(158,320)	(158,320)	0	0	0
Position before Treasury impact	**28,305**	**30,169**	**1,864**	**2,361**	**(498)**
Treasury	151,854	204,383	52,529	(3,873)	56,402
Total	**180,159**	**234,552**	**54,393**	**(1,512)**	

*Includes TM fees (Table 13)

The directorate position is forecast to overspend by £2.014m against a revised budget (net of earmarked reserves) of £167.9m, equivalent to 1.2%.

Intervention & Commissioner process has a forecast underspend of £0.150m.

The one-off transformation implementation allocation assumes a contribution of £9m to the transformation reserve so this can be utilised in subsequent financial years, this therefore shows as nil variance to budget for 2023/24 in the above table.

There is an estimated overspend within the Treasury Management function of £52.5m, this includes an assumed contribution to the Treasury Equalisation Reserve of £9.6m. The Capitalisation Direction requirement has increased to £235m, this requirement was estimated at £180.2m for 2023/24 (as per the letter from Department for Levelling up, Housing & Communities (DLUHC) dated 20 December 2022).

The financial accounts of the Council for the years 2020/21, 2021/22 and 2022/23 are still subject to further review and sign off by External Auditors. Potential further accounting adjustments, relating to Capital Financing and valuations may identify additional changes which could impact on the Councils overall level of reserves and retrospective Capitalisation Direction requirements.

Housing Revenue Account (HRA)

The HRA is forecast to achieve an operating surplus of £1.003m for the year as set out in section 7 of the report.

Dedicated Schools Budget (DSG)

The current projected outturn for 2023/24 is an operating surplus of £0.454m for 2023/24, this reduces the brought forward deficit of £0.534 to £0.080m as set out in section 8 of the report.

Public Health

The current projected outturn for 2023/24 is an operating surplus of £0.190m as set out in section 9 of the report.

Capital Programme

The General Fund (GF) and HRA Capital Programme positions are set out in section 10. There is forecast slippage on the GF programme of £4.708m (17%) against a budgeted programme of £27.080m. Forecast slippage on the HRA capital programme is £1.849m (6%) against a budgeted programme of £31.784m.

Commissioner Comment:

The increase in capitalisation requirements was reported to the Secretary of State in a request for financial support. The commissioner notes the report and particularly that there is a £2.014m overspend on the Directorates primarily driven by overspends in Place (Property), Children's Services and HR OD & Transformation; it is essential that Thurrock continue to identify opportunities to offset these overspends.

1. Recommendation(s)

1.1. **That Cabinet note the general fund overall forecast outturn position for Quarter 3 is reliant upon a Capitalisation Direction of £235m for 2023/24.**

1.2. **That Cabinet approve the proposal, based on current projections, the contribution to the Treasury Equalisation Reserve of £9.6m and the Transformation Reserve of £9m (with final figures to be confirmed as part of the final outturn position).**

1.3. **That Cabinet note the positions set out in respect of the HRA (section 7), DSG (section 8) and Public Health (section 9) which project to deliver the budget within the existing funding envelopes.**

1.4. **That Cabinet note and comment on the capital programme set out in section 10; the current projected General Fund slippage of £4.7m, the HRA slippage of £1.8m**

1.5. **That Cabinet comment on the capital budget additions set out in section 10.**

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 consistent at 5.25% and inflation is still exceeding above the target of 2%. 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 but there is more certainty around the figures as we progress throughout the year.

3. Quarter 3 General Fund Budget Monitoring

3.1. Overall Position

3.1.1. The quarter 3 forecast outturn position for 2023/24 is set out in Table 1. There is a pressure within the directorate position of £2.014m, against a revised budget of £167.904m (this includes the assumed use of earmarked reserves to the value of £2.975m), this is equivalent to a 1.2% overspend. There is a projected underspend against the costs associated with the intervention and commissioner process of £0.150m.

3.1.2. There are adverse movements within the treasury function of £56m since the quarter 2 reported position as a result of a comprehensive review of ongoing borrowing cost requirements, MRP changes and assumed levels of investment income.

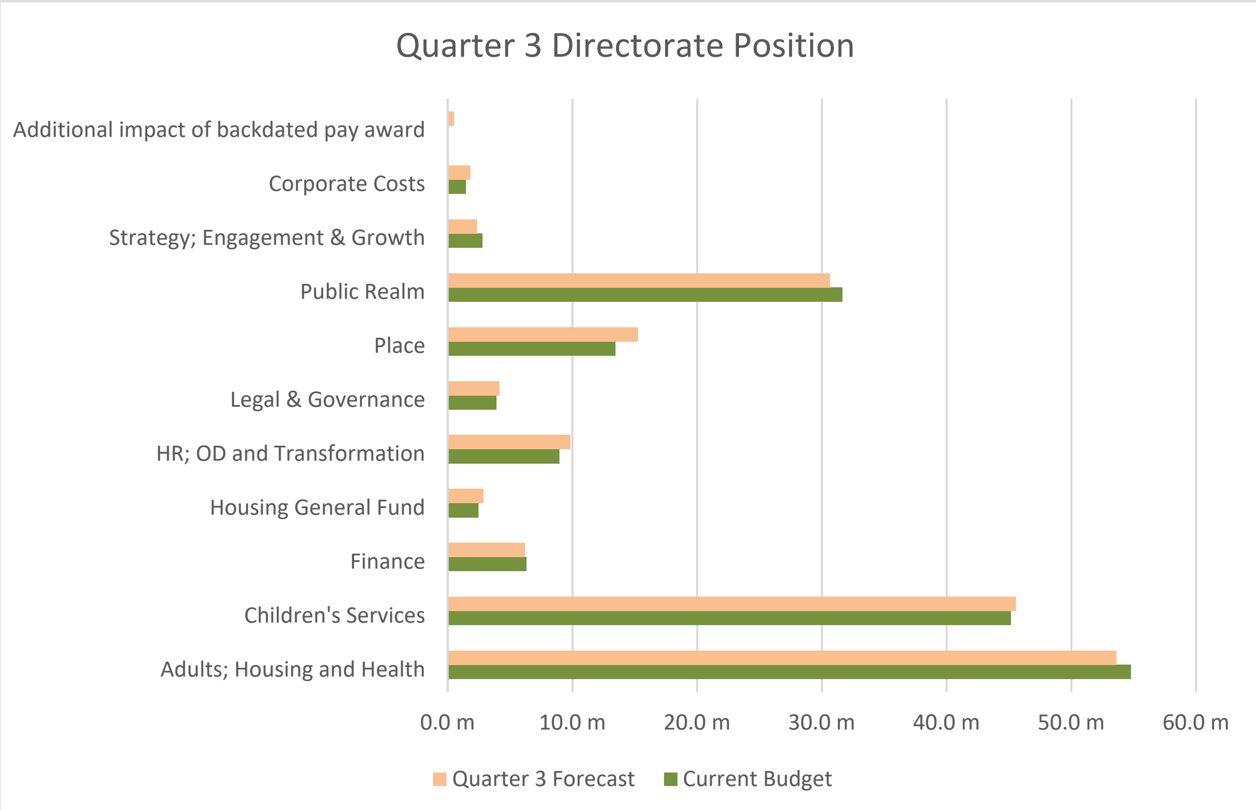
3.1.3. Capitalisation Direction is a £54m increase in the 2023/24 requirement to £235m (the original requirement being set at £180m):

Table 1 Quarter 3 General Fund forecast outturn:

Interim Directorate Structure	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 Forecast Variance £'000	Movement £'000	Direction of Travel
Adults Housing and Health	54,771	53,629	**(1,142)**	(786)	(356)	▲
Children's Services	45,166	45,557	**391**	989	(599)	▲
Finance	6,319	6,200	**(119)**	32	(151)	▲
Housing General Fund	2,448	2,874	**425**	366	59	▼
HR OD and Transformation	8,960	9,858	**898**	799	99	▼
Legal & Governance	3,906	4,149	**243**	205	39	▼
Place	13,439	15,255	**1,816**	1,252	564	▼
Public Realm	31,635	30,664	**(971)**	(253)	(718)	▲
Strategy Engagement & Growth	2,776	2,363	**(412)**	(242)	(171)	▲
Corporate Costs	1,459	1,843	385	0	385	▼
Additional impact of backdated pay award	0	500	**500**	0	500	▼
Use of Earmarked Reserves	(2,975)	(2,975)	**0**	0	0	no change
Directorate position	**167,904**	**169,917**	**2,014**	**2,361**	**(348)**	▲
Additional Resource & Capacity	5,889	5,878	**(11)**	0	(11)	▲
Commissioner Support	317	179	**(138)**	0	(138)	▲
Intervention and Commissioners Process	**6,206**	**6,056**	**(150)**	**0**	**(150)**	▲
Transformation Implementation (One-off)	12,515	12,515	**0**	0	0	no change
Central Financing	(158,320)	(158,320)	**0**	0	0	no change
Position before Treasury impact	**28,305**	**30,169**	**1,864**	**2,361**	**(498)**	▲
Treasury	151,854	204,383	**52,529**	(3,873)	56,402	▼
Total/Capitalisation Directive	(180,159)	(234,552)	(54,393)			

3.2. **Directorate Position**

3.2.1. The quarter 3 forecast outturn position is summarised in the below chart and supporting narrative for each directorate included in the subsequent sections:



3.2.2. Key variances are set out below for each directorate:

3.3. **Adult Social Care**

Table 2 Adult Social Care Service position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Assistive Equipment & Technology	699	833	134	69	65	▼
Commissioning & Service Delivery	(1,110)	(1,175)	(65)	(82)	17	▼
Community Development	2,149	2,102	(47)	(25)	(23)	▲
External Placements	38,843	38,204	(639)	(161)	(478)	▲
Fieldwork Services	5,067	5,180	113	(114)	226	▼
Provider Services	9,123	8,485	(638)	(475)	(164)	▲
Total	**54,771**	**53,629**	**(1,142)**	**(786)**	**(356)**	▲

3.3.1. Forecast underspend of £1.142m (2%) against a revised budget of £54.8m, this is an improvement of £0.356m from the quarter 2 reported position. The key variances and changes to the position are:

External Placements

3.3.2. £0.639m 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.

3.3.3. The Adult Social Care Leadership Team have put in place a programme of measures to avoid and reduce unnecessary placement spend that have contributed to the current underspend position. These have included:

- continuing to implement and expand strengths-based integrated care models that prevent and delay demand,
- a targeted programme of more frequent care package reviews that allows more timely reduction in the acuity of care packages where care is no-longer needed, and
- The development of Power BI ASC placement dashboard that allows front line social care staff oversight of volume, acuity, and cost placement data of different client groups, settings, and teams including trend data over time. The system increases accountability and ability of front-line staff to use resources more effectively and acts as a starting point for positive challenge about strength-based practice at both team meetings and a placement spending control panel.

3.3.4. 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.

3.3.5. The forecast includes a projection for the allocations of remaining uplifts on fees, winter pressures and delaying in the receipt of billing.

Provider Services

3.3.6. £0.638m forecast underspend within internal Provider Services. Provider services are primarily mainly demand led. Action has been taken to actively reduce overtime, additional bank usage and agency staff from those in the previous forecast. A current vacancy freeze has been agreed, which is linked to savings identified for 2024/25, and this has improved the forecast outturn position. Demand is currently lower than capacity but provision remains in place in the event of services not being sourced externally.

Community Development

3.3.7. £0.047m 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.

Fieldwork Services

3.3.8. Fieldwork service predominantly includes the provision of front-line social work staff. The majority of these services form part of the Better Care Fund (BCF) pooled budget, and in accordance with the section 75 agreement, budget underspends must be contained within the ring-fenced account. These funds will form part of the BCF reserve, which will be allocated as part of the Health and Social Care integration objectives.

3.4. Children's Services

Table 3 Children's Services breakdown

Service	Current Budget £'000	Quarter 3 Forecast £'000	Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Children and Family Services	35,615	37,178	1,562	1,671	(109)	▼
Education & Skills	5,215	4,475	(740)	(301)	(438)	▲
School Transport	4,336	3,904	(432)	(381)	(51)	▲
	45,166	**45,557**	**391**	**989**	**(599)**	▲

3.4.1. Forecast overspend of £0.391m (1%) against a revised budget of £45m. This is an improvement of £0.599m from the quarter 2 reported position. The key variances and changes to the position are:

3.4.2. Education and Skills are reporting an underspend of £0.740m, a favourable movement of £0.0.438m compared to quarter 2. The review of the Education services was implemented from September 2023 to deliver full year savings of £0.504m. The movement is a result of the early achievement of 2024/25 reduction plans and delays in the recruitment to key posts.

3.4.3. Home to School Transport are reporting an underspend of £0.432m. Risks remain with the unprecedented increase in pupils moving into Thurrock causing pressure with school placements and potential transport implications. This is a favourable movement compared to quarter 2 because of changes for the new academic year.

With the introduction of new DfE statutory guidance, transport numbers and costs are expected to rise as children who have been placed at schools over the statutory walking distance from home, and are in receipt of home to school transport, will not be expected to move to a nearer school once they have been placed.

3.4.4. Children and Family Services are reporting an overspend of £1.562m, a reduction of £0.109 from that reported at Quarter 2. The key variances are:

3.4.5. Placements £2.434m (15%) overspend within Placement Support as shown in the below table:

Table 4 Placements Support

Placement Type	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 Forecast Variance £'000	Movement £'000	Direction of Travel
Placed with Parent / Adoption	0	0	0	0	0	
Supported Accommodation	1,000	1,647	647	551	96	▼
External Fostering	5,054	4,157	(897)	(904)	7	▼
External Residential	7,960	8,022	62	(400)	462	▼
Secure Placement	0	168	168	168	0	
Unregulated	0	3,130	3,130	3,127	3	▼
Joint Funded Contribution	(500)	(1,461)	(961)	(891)	(70)	▲
Sup Accom Reform Grant	0	(116)	(116)		(116)	▲
Contingency Inflation/Demand	0	202	202	502	(300)	▲
Total	**13,514**	**15,749**	**2,235**	**2,153**	**82**	▼
Internal Fostering	2,608	2,697	89	51	38	▼
Remand	30	140	110	102	8	▼
Total Cost of Placements	**16,152**	**18,586**	**2,434**	**2,306**	**128**	▼

3.4.6. The current projected outturn position is an overspend of £2.434m, this includes contingency of £0.202m for demand, price and increased packages of care. This contingency would allow for 1 additional residential placement and 1 supported accommodation for the remainder of the year at an average cost of £0.007m per week. The balance of £0.046m will be used for requested inflationary price increases. There are currently 10 providers waiting for price increases to be approved. Compared to Quarter 2, this is an increase of £0.128m, a combination of additional support costs and one young person moved to a high-cost placement.

3.4.7. The key movement areas are within Supported Accommodation and Internal Fostering. The overall number of placements is 294 against a budgeted number of 283, a variance of 11, an increase from Quarter 1 of 6. However, the increased complexity of need of some young people has resulted in additional support being provided. This can be partially offset by additional joint funded contributions.

3.4.8. Children With Disabilities are reporting an overspend of £0.747m due to 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. This is an increase compared to quarter 2 of £0.063m.

3.4.9. Savings to budget have been achieved through the early achievement of 2023/24 and 2024/25 reduction plans (£0.984m), receipt of additional one-off grant (£0.470m) from Youth Justice Board, Placement support and Unaccompanied Asylum seekers. Special Guardianship payments have an underspend of £0.165m, reflecting current numbers.

3.4.10. The children's services budget assumes a one-off use of reserves to the value of £1.131m in relation to:

- Family Hub (ringfenced grant) £0.582m
- Youth Offending Team (ringfenced grant) £0.041m

- ➢ Local Safeguarding Children's Board (Partnership - Police & NHS CCG towards Safeguarding Children) £0.074m
- ➢ Short breaks & outreach (Sunshine Centre - donations from parents) £0.006m
- ➢ Grangewaters (To support Health and Safety and Cyclical Maintenance Programme) £0.085m
- ➢ Thurrock Adult Community College (Academic year funding) £0.328m
- ➢ Music Services (ring-fenced grant) £0.015m.

3.5. **Finance**

Table 5 Finance

Sub-service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Chief Executive's Support Services	502	531	29	72	(43)	▲
Corporate Finance	1,480	1,505	24	(32)	56	▼
Insurance	828	839	11	28	(17)	▲
Contract & Procurement Management	869	775	(94)	(30)	(64)	▲
Revenues and Benefits	2,640	2,550	(90)	(7)	(83)	▲
Total	**6,319**	**6,200**	**(119)**	**32**	(151)	▲

3.5.1. Forecast underspend of £0.119m (2%) against a revised budget of £6.3m. This is an improvement of £0.151m from the quarter 2 reported position. The key variances are:

3.5.2. The Chief Executive area is forecasting an overspend of £0.029m. This is due to ongoing subscription costs to various professional bodies and additional support staff.

3.5.3. Corporate Finance have a small overspend of £0.024m. There remains a pressure due to accounting software licenses which can no longer be capitalised and were unbudgeted within the revenue account (£0.075m). This follows a confirmed change of approach to the accounting treatment of cloud-based software licenses. This is mitigated by additional income within the finance function and the utilisation of alternative funding streams to support the interim resource requirements whilst the formal restructure of the team is embedded. The software licence cost requires additional revenue budget allocation in 2024/25 and this has been included in the 'Revenue Budget 2024/25' report agreed at Full Council on 28th Feb 2024.

3.5.4. The Insurance service is forecasting to overspend by £0.011m, there is a pressure related to the non-recovery of income, the team are no longer delivering services to schools.

3.5.5. Contract and Procurement team are forecasting an underspend of £0.094m due to difficultly in recruiting to vacant posts. There are similar issues within the Revenues and Benefits function by which an in-year saving has been realised due to the difficultly in successfully recruiting to vacant posts.

3.6. **Housing General Fund**

Table 6 Housing General Fund Service position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Homelessness	1,301	1,714	413	249	164	▼
Private Sector Housing	1,094	1,106	12	147	(136)	▲
Travellers	53	53	0	(31)	31	▼
Total	**2,448**	**2,873**	**425**	**366**	**59**	▼

3.6.1. Forecast overspend of £0.425m (20%) against a revised budget of £2.4m. This is £0.060m higher than the quarter 2 reported position. The key variances are:

3.6.2. The number of cases has continued to grow steadily since June, with the highest number of placements in December at 423. The forecast for the remainder of the year is assumed at similar levels to the previous quarter, although this is very much subject to change. Significant investment has been made into the service to find alternative accommodation solutions such as bed and breakfast, and then to offer people furnished lettings within the Councils own stock as an alternative to privately owned nightly lets.

3.6.3. The average cost of a nightly let annually is £8,528 compared to furnished lettings at £3,210. The ongoing utilisation of the councils existing stock is one of the few ways in which the department is able to reduce costs in the face of rising demand. It also offers a better solution to people that are in need of temporary accommodation.

3.6.4. The requirement for temporary accommodation does remain a significant risk for the department and the Council as a whole. There are many contributing factors to the rising numbers 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. This often involves dealing with some of the most vulnerable people within the borough.

3.6.5. The temporary accommodation budget is also intrinsically linked to the long-term housing solutions. The financial costs associated with this area are also about moving people out of TA into permanent Council owned tenancies or the private housing sector, for which the department funds incentives to private landlords.

3.6.6. The budget allocation assumes a one-off use of earmarked reserves to the value of £0.315m in relation to the Homelessness service.

3.7. HR, OD & Transformation

Table 7 HROD Service Position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
HR, OD and Transformation	4,800	4,728	(73)	(129)	56	▼

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
ICT	4,160	5,131	971	928	43	▼
Total	**8,960**	**9,858**	**898**	**799**	99	▼

3.7.1. Forecast overspend of £0.898m (10%) against a revised budget of £8.96m. This is of £0.099m worse than the quarter 2 reported position. The key variances are:

3.7.2. £0.971m overspend against the ICT budget of £4.1m due to £1.050m software licence costs which can no longer be capitalised and an additional £0.133m of staff costs which can no longer be supported by the capital programme. These pressures are partly offset against (£0.200m) by the ICT service's mitigating actions resulting in savings on rationalisation of other contracts and further staff efficiencies. These pressures require additional revenue funding in the 2024/25 budget and this has been included in the 'Revenue Budget 2024/25' report agreed at Full Council on 28th Feb 2024.

3.7.3. £0.073m underspend within human resources team budgets reflects a full review of staffing resource requirements and updated contract end dates. There is an assumed utilisation of one-off funding to support interim staffing arrangements.

3.8. **Legal & Governance**

Table 8 Legal Services position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Democratic Services	264	259	(4)	20	(25)	▲
Electoral Services	457	461	5	(14)	19	▼
Legal Services	2,281	2,528	247	248	(1)	▲
Members Services	904	900	(4)	(50)	46	▼
Total	**3,906**	**4,149**	**243**	**205**	39	▼

3.8.1. Forecast overspend of £0.243m (6%) against a revised budget of £3.9m. This is £0.039m worse than the quarter 2 reported position. The key variances are:

3.8.2. £0.248m within the Legal Services team - this represents an increase in the caseloads charged through the SLA with another local authority (£0.111m) and a shortfall in the assumed capitalisation of staff time (£0.086m). There is also a shortfall in the recovery of legal fees and charges due to a slowing property market impacting the number of requests. The shortfall in the capitalisation of staff costs is considered an

3.8.3. Members services are no longer forecast to underspend by £0.050m due to a review of staffing requirements and recruitment to a vacant post.

3.9. **Place**

Table 9 Place service position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Economic Growth & Partnerships	643	714	71	90	(19)	▲
Lower Thames Crossing & Transport Infrastructure Service	145	462	317	318	(1)	▲
Place Delivery	286	386	100	22	78	▼
Planning; Transportation and Public Protection	7,415	7,560	144	0	144	▼
Property	4,950	6,135	1,184	823	361	▼
Total	**13,439**	**15,255**	**1,816**	**1,252**	**564**	▼

3.9.1. Forecast overspend of £1.816m (14%) against a revised budget of £13.4m. This is £0.564m worse than the quarter 2 reported position. The key variances are:

3.9.2. The Economic Development service is forecasting to overspend by £0.071m at quarter 3. This has improved by £19k since period 6 due to the theatre being able to sell tickets for February and March 2024 (impacting this financial year) and beyond.

3.9.3. Lower Thames Crossing is forecast to overspend by £0.317m. 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

3.9.4. Place Delivery is now forecasting to overspend by £0.100m. This is an increase of £0.078m from quarter 2 in staff costs due to 2 new posts in the Regeneration Team. (Project Manager for A13 and the Head of Regeneration, partially mitigated by a redundancy in the team.

3.9.5. The forecast for the Planning service has worsened by £0.144m due to a deterioration in the forecast for planning fee income. Although planning fees were increased by the government in December 2023, the cost-of-living crisis and subsequent cost of mortgages have caused a large forecast under-recovery of planning fees of £0.282m. This is partly offset by additional income received in Public Protection for demand-led work (£0.099m) and reduced staffing spend in Environmental Health due to difficulty in recruiting suitably qualified candidates to vacant posts.

3.9.6. The one-off use of the Local Plan reserve, to the value of £1.5m, has been reflected in the revised budget for Planning, Transportation & Public Protection to meet the in-year costs associated with this work.

3.9.7. The Property service is forecasting to overspend by £1.184m which is an increase in costs of £0.361m from quarter 3. The movement in the forecast is due to the additional staff costs and overtime to cover staff absence £0.058m, the loss of income £0.026m as a result of a property disposal and RAAC (Reinforced Autoclaved Aerated Concrete) survey and building repair costs of £0.278m. Government have announced a national scheme for schools and educational setting to reclaim the costs associated with removal of RAAC, there may be the potential to reclaim costs incurred on other Council owned assets but until this is confirmed it is considered prudent to include these as a budget pressure.

3.9.8. The pressures within the Property Services budget totalling £1.184m are further discussed below:

- <u>Asset Management</u> £0.747m – there is a pressure from Asset Management team costs of £0.215m. 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. The budget included an assumption that eligible staff costs would be charged to the capital programme, this option is no longer available and results in a £0.500m budget pressure which must be dealt with as part of the 2024/25 budget setting process and this has been included in the 'Revenue Budget 2024/25' report agreed at Full Council on 28th Feb 2024. There is a further pressure of £0.039m from specialist software licences used within the team.

- <u>Corporate Landlord</u> £0.313m – this function is responsible for the management of 32 buildings and increased costs have been noted across NNDR charges as a result of property revaluations £0.112m, insurance charges £0.012m. Also contained within this service is a pressure of £0.442m which relates to the expected use of the Thameside complex – the assumption in the budget was the running costs would only be required for part of the year and the expectation is the complex will remain in use for the whole year. These pressures are partly offset by a positive position on the utility budgets (£0.177m). The 2024/25 budget must reflect the full year running costs of the Thameside Complex building if the decision is for it to remain operational and this has been included in the 'Revenue Budget 2024/25' report agreed at Full Council on 28th Feb 2024.

- <u>Facilities Management</u> £0.335m - This is due largely to the cost of RAAC surveys £0.267m, and to the cost of additional security to cover the additional hours CO3 is open, staff absences and the request for additional cover at public meetings. Security staffing arrangements are being reviewed to reduce this cost going forward.

- The above pressures are partly offset by an underspend against <u>Land & Buildings</u> of £0.215m, this includes £0.253m rental income in excess of budget following 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.

3.10. **Public Realm**

Table 10 Public Realm service position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Emergency Planning & Resilience	483	449	(34)	(27)	(7)	▲
Performance & Support	1,452	1,610	159	(17)	176	▼
Internal Fraud team & Enforcement	(45)	(121)	(77)	65	(142)	▲
Fraud - NATIS	(1,150)	(1,050)	100	0	100	▼
Highways, Fleet & Logistics	8,203	8,466	263	294	(31)	▲
Street Scene & Leisure	22,691	21,310	(1,381)	(568)	(813)	▲
Total	**31,634**	**30,664**	**(970)**	**(253)**	**(717)**	▲

3.10.1. Forecast underspend of £0.970m (3%) against a revised budget of £31.6m. This is £0.717m improvement on quarter 2 reported position. The key variances are:

3.10.2. Performance & Support, a pressure of £0.159m from under recovery of income for land charges is due to caution in the housing market linked to the wider cost-of-living crisis.

3.10.3. Contained within the £0.077m underspend for Counter Fraud & Enforcement is a pressure related to the 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. On and off-street parking income recovery levels have, however, improved in this area so the pressure is contained within the budget allocation.

3.10.4. A review of the National Investigation Service (NATIS) has added the cost of £0.100m to the in-year position, a cost which cannot be recharged back to clients under existing contracts.

3.10.5. £0.263mm Highways, Fleet & Logistics forecast overspend primarily due to traffic management costs (including pothole repairs) of £0.127m. Late billing of street lighting costs and delays to plans to dim the lighting has added an in-year pressure of £0.163m. Wider inflation increases to the cost of goods and services impact the budget by a further £0.040m, offset by an increase in permit income £0.065m.

3.10.6. Street Scene & Leisure £1.381m underspend, this forecast has improved by £0.813m due to:

- reduced forecast spend on the waste disposal contracts (£0.645m)
- a reduction in waste employee costs (£0.114m),
- and increased income generation through the Trade Waste service (0.047m).

3.11. **Strategy, Communication & Customer Service**

Table 11 Strategy, Communications & Customer Services position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 reported variance £'000	Movement £'000	Direction of Travel
Corporate Communications	437	407	(30)	(5)	(25)	▲
Customer Services & Registrars	1,362	1,224	(139)	(124)	(15)	▲
Social Care Performance	726	606	(120)	(15)	(105)	▲
Strategy Team	251	127	(124)	(98)	(26)	▲
Total	**2,776**	**2,363**	**(412)**	**(242)**	**(171)**	▲

3.11.1. Forecast underspend of £0.412m (15%) against a revised budget of £2.8m, this is an improvement of £0.171m against the quarter 2 reported position. The key variances are:

3.11.2. Staffing underspends across the directorate, the establishment has been reviewed and vacant posts have been held in preparation for 2024/25 savings plans.

3.11.3. Contained within the position is an income shortfall of £0.059m for the Registrars service due to a reduction in the number of ceremonies that the service has been able to accommodate.

3.12. **Other Corporate Costs & Pay impact**

3.12.1. Forecast pressure of £0.385m within Corporate Costs allocation of £1.459m. This now covers items such as audit fees, pension/overheads, housing benefits and levies. The pressure has arisen because of increased audit fees following a review of the current cost level and costs to complete the open audits for the financial accounts. There has been an increase in fees across the sector and this is not specific to Thurrock.

3.12.2. Changes to the in-year pay policy have resulted in an increase for staff on pay points between bands A-F, the new rates were implemented in the December payroll with the retrospective payments back to April 2023 being made in January 2024. A full analysis will take place to determine the overall in-year impact which will reflect the turnover of staff throughout the year and the impact on associated staff costs such as overtime and stand-by payments. Current estimates are £1.3m additional cost in 2023/24, of which £0.500m is still to be confirmed following the final pay adjustments. Costs associated with current staff in post have been reflected within the relevant directorate position.

3.13. **Intervention & Commissioner Support**

3.13.1. There is a £6.2m budget for the Resources & Capacity Plan –this was created to support the recovery of the council and covers commissioner costs, additional capacity to support the recovery plan and specialist advice regarding the investment's portfolio.

3.13.2. The quarter 3 position currently assumes this allocation will generate an underspend of £0.150m which predominately reflects the changes in the government directions and the appointed of named individuals as lead commissioners.

Table 12 Indicative Intervention & Commissioner costs

Theme	2023/24 Budget £'000	Quarter 3 Forecast £'000	Forecast Variance £'000
Financial Sustainability	5,889	4,358	(11)
Governance & Control		202	
Leadership for Change		1,318	
Total Additional Resource & Capacity costs	**5,889**	**5,878**	**(11)**
Cost of Commissioners	317	179	(138)
Total Intervention & Commissioner costs	**6,206**	**6,056**	**(150)**

3.13.3. 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.

3.14.2. Alongside the existing Change Team, external resource has been procured during the year to help determine wider opportunities for transformational change and ongoing budgetary savings. Invest-to-save projects have been identified as part of this workstream and form the basis for a number of 2024/25 savings proposals.

3.14.3. The projected position is prudently forecast to spend this allocation in full over several years, whilst work continues to confirm requirements. There are current quantified spend commitments to the value of £3.5m in 2023/24. The budget remains under review of the CFO 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.

Table 12a Estimated position on Transformation Budget

Summary	£'000
2023/24 Transformation Budget	**12,515**
2023/24 estimated spend	3,472
Transfer to Transformation Reserve	*(9,043)*

3.15. **2023/24 Revenue Savings**

3.15.1. The below table, produced as part of the Delivery Risk Assessment for 2023/24 demonstrates that 99% of the savings have been achieved or are on track to be fully realised by the end of the financial year:

Table 12b Delivery Risk Assessment Q3

	Savings Totals		Delivery RAG Assessment				
Directorate	Original (Baseline) £'000	Actual (excl. non deliverable) £'000	Amount of savings that are non-deliverable (£ 000)	Amount of savings At High Risk of not being delivered by 31/3/24 (£ 000)	Amount of savings At Risk of not being delivered by 31/3/24 (£ 000)	Amount of savings on target for delivery by 31/3/24 (£ 000)	Amount of savings already delivered (£ 000)
Adult Social Care	1,576	1,576	0	0	50	1,026	500
Housing General Fund	531	531	0	0	0	49	482
Children's Services	997	997	0	0	0	456	541
HR, OD & Transformation	789	789	0	0	0	249	540
Finance	921	921	0	0	0	297	624
Public Realm	2,122	2,122	0	0	0	1,702	420
PLACE	900	855	45	0	34	486	335
Strategic, Engagement & Growth	351	351	0	0	0	175	176
Legal and Governance	110	110	0	0	0	110	0
Total Savings	8,297	8,252	45	0	84	4,550	3,618
% of Savings			1%	0%	1%	55%	44%

4. Treasury and Capital Financing

4.1. The in-year treasury position is shown below. It is assumed that £1.864m will be used to offset the directorate pressures identified in section 3 and £9.6m will be placed into the Treasury Equalisation Reserve to provide further protection from adverse pressures arising in this area:

Table 13 Treasury position

Service	Current Budget £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 Forecast Variance £'000	Movement £'000
Borrowing Costs					
Interest - PWLB - Existing		38,862			
Interest - PWLB - Refinancing	48,172	7,109	(11,936)	(4,256)	**(7,680)**
Less HRA Recharges		(9,735)			
Interest - Market Loans	1,810	1,911	101	101	**0**
Interest - CD Premium	3,299	255	(3,044)	(255)	**(2,789)**
Corporate Contribution	0	1,864	1,864		**1,864**
Contribution to Treasury Reserve*	0	1,198	1,198	0	**1,198**
	53,281	**41,464**	**(13,681)**	**(4,410)**	**(7,407)**
MRP on Existing Capital Programme					
MRP - Asset Life (Supported)	1,488	4,413	2,925	741	**2,184**
MRP - Asset Life (Unsupported)	8,632	7,959	(673)	(1,672)	**999**
MRP - Capitalisation Directive	22,619	1,298	(21,321)	0	**(21,321)**
MRP – Commercial	74,956	142,461	67,505	0	**67,505**
	107,695	**156,131**	**48,436**	**(931)**	**49,367**
Other Treasury Costs					
Professional Fees	1,928	3,424	1,496	0	**1,496**
Internal Deposits	405	405	0	0	**0**
Premiums and Discounts	421	421	0	0	**0**
	2,754	**4,250**	**1,496**	**0**	**1,496**

Investment Income					
Income Receivable	(7,939)	(16,483)	(8,544)	(5,213)	**(3,331)**
Thurrock Regeneration Limited	(1,174)	(1,034)	140	0	**140**
Contribution to Treasury Reserve*	0	8,403	8,403	6,681	**1,722**
	(9,113)	**(9,114)**	(1)	**1,468**	**(1,469)**
Total Treasury Outturn	**154,617**	**192,731**	**36,250**	**(3,873)**	**40,123**
Impairment of Revenue Investments		11,413	11,413	0	11,413
Use of Capital Receipts for Transformation	**(3,001)**	**0**	3,001	**0**	**3,001**
Corporate Bank charges	**239**	**239**	0	**0**	**0**
Treasury impact on Overall Position	**151,855**	**204,383**	**50,664**	**(3,873)**	**56,401**

4.2. As part of the 2024/25 MTFS update, the Treasury and Corporate finance forecasts have been comprehensively reviewed. The report has been structured to show the elements of the budget which are linked directly to the Capitalisation Direction. There a number of significant changes from the position reported in Quarter 2, which are reported below:

Borrowing Costs

4.3. The total expenditure for borrowing costs is forecast to be £11.9m under budget. This represents a reduction of £7.7m from the previous quarter. The underspend is a result of receiving capital receipts from the divestment programme throughout the year. This has directly reduced the need to refinance debt though additional borrowing.

4.4. In the third quarter of the year, there has been a favourable freeze on interest rates, which has reduced the previous forecast. In addition, the modelling has been revised to reflect only those elements of borrowing used to support direct revenue expenditure, which attracts a PWLB interest premium of 1% under the Government Direction.

4.5. Reductions to the Capital Programme have also resulted in a significant reduction in borrowing and hence interest payable has also reduced.

4.6. The forecast includes a provision of £1.198m to protect against adverse variances, which in the event of non-materialisation, will be transferred to the Treasury Equalisation reserve and £1.864m is used to offset the in-year pressures identified in the directorate outturn position (table 1).

Minimum Revenue Provision (MRP) Charges

4.7. Following legal advice there has been a change in the technical calculation of the MRP, which has impacted the previous and current years calculations, as well as the Capitalisation Direction calculation. It relates to the treatment of historic MRP charges, which are now required to be recognised in the current and future years. It should be noted that the calculation of the Council’s MRP charges are still subject to audit as part of the normal audit of the financial statements

4.8. The correction of the understatement of MRP from being a retrospective adjustment in years prior to 31 March 2023 to a forward look change from 1 April 2023 (i.e. in the current financial year), reduces the CD in 2022/23 by £54m for backlog MRP and increases the MRP charge in 2023/24 by £76m to £154.8m. There is an overall increase in the total CD for 2023/24 by £55m to £235m from £180m.

4.9. Additionally a rigorous review of the capital programme 2023/24 to 2028/29 is forecast to reduce the reliance on borrowing for the capital programme by c£150m, which reduces the MRP.

4.10. It should be noted that because of the accelerated disposal of the investment asset portfolio, the increase in MRP on commercial asset portfolio is confined to 2023/24, because the receipts generated in 2023/24 are being used to pay off the residual Capital Financing Requirement in 2023/24 in respect of these assets. This eliminates the need for further MRP on these assets after 2023/24.

Investment Income

4.11. The outturn on Investment Income is forecast to have a £8.54m surplus for the financial year.

4.12. The reasoning behind this is largely two-fold:
- Investments held by the Council for longer than originally forecast, due to the complexities associated with disposal.
- Improvement performance on the investment yield, largely due to the current energy markets and inflation.

4.13. The favourable gain investment income is non-recurrent, and therefore cannot contribute towards budget savings in further years. £8.4m has been ear-marked to transfer to the Treasury Equalisation reserve, in order to increase the Councils level of contingency to mitigate against potential future risks, and future professional fees.

4.14. The impact on the assumed contributions to reserves is set out in Appendix 6.

4.15. The Impairment on Revenue investments of £11.413m is related to the disposal of the CCLA investment. £91.6m was received by the Council on 2 February 2024. The value of the investment contained within the Councils Balance sheet was £103m.

5. Central Financing

5.1. The central financing budgets comprise of the following:

Table 14 Central Financing position

Source	2023/24 Budget	Quarter 3 Forecast	Quarter 3 Forecast Variance
	£'000	£'000	£'000
Collection Fund:			
Council Tax Income Precept & share of CF +/ - GF-	(85,285)	(85,285)	0
Non-Domestic Rates (Contribution from Pool - GF)	(52,519)	(52,519)	0
Core Spending Power Grants:			
Revenue Support Grant	(7,967)	(7,967)	0
Services Grant	(1,343)	(1,343)	0
New Homes Bonus	(58)	(58)	0
Resources through grants and Taxation	**(147,172)**	**(147,172)**	**0**
Depreciation Accounting Adjustment	**(11,148)**	**(11,148)**	**0**
Total Central Financing	**(158,320)**	**(158,320)**	**0**

5.2. As Council Tax and NNDR operate through the collection fund, there is no in-year deviation from the original estimate. However, surpluses or deficits which accumulated through the year from part of the following years base budget.

5.3. The funding Sources in the above table are set and predetermined at the start of the financial year.

5.4. As Council Tax and NNDR operate through the collection fund, there is no in-year deviation from the original estimate. However, surpluses or deficits which accumulated through the year from part of the following years base budget.

5.5. The detail of this will be reported in the "Setting of the Council Tax Base for 2024/25 and Determination of The Collection Fund Balance 2023/24" report to Cabinet on 22nd February 2024. In summary, this contained the following in relation to the estimated closing balances for 2023/24:

- Based on the latest forecasts of collections and write offs the Council Tax Collection Fund is estimated to be a surplus of £326,924 as at 31 March 2024. This is apportioned to the major preceptors as follows:

Major Precepting Authority	£
Thurrock Council	272,910
Essex Police Authority	40,193
Essex Fire Authority	13,821
Total Allocated	**326,924**

- The Council's share of the balance is a surplus of £272,910 which needs to be taken account of in the budget for 2024/25 and has been included in the medium-term financial strategy (MTFS).

- Based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a surplus of £7,272,612 as at 31 March 2024. This is apportioned under regulations as follows:

Major Precepting Authority	**£**
Thurrock Council	3,563,580
Central Government	3,636,306
Essex Fire Authority	72,726
Total Allocated	**7,272,612**

- The Council's share of the balance is a surplus of £3,563,580 which needs to be taken account of in the budget for 2024/25 and has been included in the MTFS.

5.6. The depreciation accounting adjustment is made so that these charges to not have a financial impact on the Councils direct financial resources.

6. Capitalisation Direction

6.1. The 2023/24 budget was set with a deficit position, which required a Capitalisation Direction of £180m. The revised forecast as detailed throughout this report, results in an increase of £54m in this requirement, to £234m. This is a significant change and is intrinsically linked to the changes detailed in the Councils financial sustainability projections, as detailed in the Medium-Term Financial Strategy reports.

7. Housing Revenue Account

7.1. The summary position of the Housing Revenue Account is shown in Table 15 below. The forecast is a breakeven position, after the transfer of an operational surplus of £1.003m to the ring-fenced HRA general reserve.

Table 15 Housing Revenue Account position

Service	Current Budget	Quarter 3 Forecast	Quarter 3 Forecast Variance	Quarter 2 Forecast Variance	Movement	Direction of Travel
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Development	293	664	371	595	(224)	▲
Financing and Recharges	26,101	26,942	841	33	808	▼
Rent and Income	(54,955)	(57,517)	(2,562)	(229)	(2,333)	▲
Repairs and Maintenance	13,337	13,337	0	216	(216)	▲
Operational Activities	15,225	15,571	346	(1,431)	1,777	▼
Contribution to Reserves	0	1,003	1,003	817	186	▼
Grand Total	**0**	**0**	**0**	**0**	**0**	

7.2. The overall HRA budget position is projecting an operational surplus of £1.003m at the end of the year. This is ring-fenced and will be transferred to the HRA general reserves as part of the year end process and will be used to fund expenditure in the future financial years.

7.3. A comprehensive review of the HRA budget forecast has been undertaken since Quarter 2, which has led to changes in the forecast outturn against the individual service lines. Some areas of expenditure, namely in the operational activity lines were previously being netted of against surplus income forecasts. This has now been updated to improve transparency in the reporting, and aid decision making.

7.4. The changes in the forecast, at service level are:

Housing Development

7.5. The forecast has improved by £0.224m as a result of the utilisation of reserves, which were held for feasibility studies into potential new developments. Whilst there is restriction with regards borrowing for new capital schemes, the Council has continued to explore potential housing development options, where schemes have been assessed to be financially viable.

Financing and Recharges

7.6. An updated assessment has been made on the interest and borrowing cost for HRA debt. This includes the element of the Capital Programme which is predicated on borrowing, and the timing in the completion of schemes.

7.7. For prudence, an increase estimate has been made on the recharges between the HRA and the General Fund. These are the direct service cost, for insurance and IT costs. A further comprehensive assessment of recharges will be completed at the end of the year, in accordance with the recommendations made in the CIPFA review.

Rent and Income

7.8. The second half of the financial year has been a considerable reduction in the number of right to buy applications, and completions being presented. This has resulted in additional dwelling rent income. The outturn has also been updated to reflect a lower forecast in the bad debt provision requirement.

7.9. In addition, there is also a projected increase in the income receivable from non-dwelling rents, and service charges.

Operational Activities

7.10. The forecast has reclassified the accounting treatment of some service charges to that they are now included as part of the Rent and Income service heading. This change is superficial with regards to the impact on the overall position of the HRA but follows the correct accounting treatment and classification.

7.11. The other significant change in the forecast is centred around energy charges. Forecasts indicate that due to historic and timing of billing, the previous estimate was significantly understated. This has been addressed as part of the 2024/25 budget setting process, agreed at Full Council on 28th Feb 2024.

Contribution to HRA Reserves

7.12. The Housing Revenue account is ring-fenced, and therefore any surplus or deficits must be contained within the financial year.

7.13. As the estimated overall surplus has increased from the previous report, in turn, the contribution to reserves has also increased.

8. Dedicated Schools Grant (DSG)

8.1. The current projected outturn for 2023/24 is a surplus £0.454m, this is an improved position from the breakeven reported at quarter 2. The table below provides explanation on the variance and the impact on the DSG deficit:

Table 16 DSG position

DSG 2023/24	DSG Allocation £'000	Quarter 3 Forecast £'000	Quarter 3 Forecast Variance £'000	Quarter 2 Reported Variance £'000	Movement £'000	Direction of Travel
Schools	5,450	5,053	(397)	(256)	(141)	▲
Central Services	1,633	1,622	(11)	(10)	(1)	▲
High Needs	31,085	30,696	(389)	295	(684)	▲
Early Years	13,599	13,942	343	(30)	373	▼
Total	**51,766**	**51,313**	**(454)**	**0**	**(454)**	▲

8.2. The DSG has a carried forward deficit of £0.534 into 2023/24, based on the latest projection this will reduce to £0.080m as of 31 March 2024.

8.3. Thurrock with a current DSG deficit of £0.534m, is part of the Delivering Better Value in SEND programme that aims to support LA's to improve delivery of SEND services for children and young people while ensuring services are sustainable. The programme will provide dedicated support and funding to 55 local authorities. Thurrock is engaged in Wave 8 of the DBV programme, with a grant application submitted for additional one-off funding to be received for the financial year 2024/25.

8.4. The outturn position reflects the following key areas:

- Schools Block – Pupil Growth, in line with projections, has an underspend of £0.396m.
- Central Services Block – Staffing underspends and maximisation of external funding.
- High Needs Block – An underspend of £0.389m, an improvement from Quarter 2. The key area of underspend is in Resource Bases where delays in building works, as a result of RACC, have created a one-off saving. This supports the increase in Education Health Care Plans (EHCP's) awarded to mainstream academies and the specialist support required.
- Early Years Block – The overspend relates to an increase in funded hours paid and demand for top up funding to support children with additional needs in 2023/24. The outcome from the January 2024 will inform the final outturn position.

8.5. Grays Convent High School is reporting a breakeven position.

9. Public Health Grant

9.1. The Public Health Grant was increased by £0.384m in 2023/24, to give an overall allocation of £12.295m for the main grant. 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, and in the main, has been passported directly to primary care providers to ensure continuity in our services for residents.

9.2. The overall Public Health forecast variance at quarter 3 is projecting a £0.190m Underspend. Quarter three projection has seen a steady flow in demand throughout primary care and demand is predicted to increase during this winter period, with GP's expecting to increase uptake to meet local targets for quarter four.

9.3. Contracts that are due to be re-commissioned at the end of this financial year are progressing through the tender process, and any potential savings through this process are being assessed.

9.4. There continues to be ongoing contractual pressures relating to NHS Agenda for Change pay terms and this is also being assessed to determine the financial impact for 2024/25 financial year.

Public Health Reserves

9.5. 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)
Total	**(1,260)**

10. Capital Programme

10.1. The capital programme approved by Full Council on 3 March 2023 envisaged capital spending totalling £202.9m over three years between 2023/24 and 2025/26. This budget had increased to £240.3m by the end of the third quarter of 2023/24

Table 18 Capital Strategy position

	Capital Strategy 2023-2025				
	Opening Position at 1st April 2023	Additions	Reductions	B/Fwds Re-profiling	Closing Position at 31st December 2023
Directorate	**£m**	**£m**	**£m**	**£m**	**£m**
Adults and Childrens	**22.394**	**0.117**	**(0.594)**	**4.283**	**26.200**
Corporate	**4.174**	**0.222**	**(6.867)**	**4.369**	**1.898**
Public Realm	**8.996**	**6.697**	**(2.536)**	**4.807**	**17.964**
Place	**30.155**	**42.882**	**(33.167)**	**8.265**	**48.135**
Total General Fund	**65.719**	**49.918**	**(43.164)**	**21.724**	**94.197**
HRA	**137.164**	**70.145**	**(77.908)**	**16.708**	**146.109**
Total	**202.883**	**120.063**	**(121.072)**	**38.432**	**240.306**

10.2. The budget for the revised strategy budget (£240.3m) is funded from £105.3m external borrowing and £135.0m from external funding. This increase is made up of capital budget carry forwards, capital budget deletions and new capital projects financed from external funding, informed by the outturn position for 2022/23. **Appendix 1** provides a breakdown of movements by project.

10.3. 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.

<u>General Fund Schemes</u>

10.4. The current position for General Fund schemes for 2023/24 is summarised below:

Table 19 - Capital Programme – Projected Outturn as at Quarter 3

Summary of the 2023/24 General Fund Capital Programme – by Directorate	Latest Agreed Budget	Projected Outturn	Projected Outturn Variance
Expenditure:	**£'000**	**£'000**	**£'000**
Adults; Housing and Health	763	545	(218)
Children's Services	2,245	1,553	(692)
Corporate	1,392	1,078	(314)
Place	8,278	6,778	(1,500)
Public Realm	14,402	12,418	(1,984)
Total Expenditure	**27,080**	**22,372**	**(4,708)**
Resources:			
Prudential Borrowing	(14,448)	(12,465)	1,983
Capital Receipts	(123)	(123)	0
Government Grants	(11,326)	(8,671)	2,655
Other Grants	(755)	(753)	2
Developer Contributions (S106)	(428)	(360)	68
Total Resources	**(27,080)**	**(22,372)**	**4,708**
Forecast Deficit/(Surplus) in Resources	**0**	**0**	**0**

10.5. The table above also shows a projected outturn at the end of the financial year of £22.372m, which is £4.708m less than the latest agreed budget of £27.080m for the year (17%).

10.6. The in-year underspend is principally due to slippage on current schemes (£5.608m) and is a combination of existing works continuing into 2024/25, works to commence in 2024/25 or where discussions are continuing with stakeholders. 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 20 - Capital Programme Carry Forward by Project Stage

Project Stage	Slippage Amount	Reason
	£'000	
Projects Demand Led	1,098	Funding for projects that is utilised as needed. For example, Government funding for schools to make building improvements and providing classroom expansions.
Business Case Stage	1,518	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.
In Flight	2,992	Projects include works on the highways network and IT infrastructure which are expected to complete in the next financial year.

10.7. Following the quarter 3 review, projects that have either completed under budget or are no longer proceeding (£0.215m) and funded from external borrowing, will be re-assigned to the corporate landlord compliance project.

10.8. In addition to the above, the following budgets are to be added to the capital programme (£1.613m)

Table 21 Additions to the programme

	£m	
Potholes	0.314	Additional Government funding from the DfT for the resurfacing of carriageways, cycleways, and footways to prevent potholes and other road defects from occurring, as well as tackling other asset management priorities, such as keeping local bridges and other highway structures open and safe.
EV Charging Upgrade and Expansion	0.154	Additional Government funding from the DfT for electric car charging points.
Corporate Landlord Compliance	0.419	As part of the capital programme review and in consultation with the corporate director, funding from the landlord compliance fund was removed. However, a number of issues have since arisen which require funding to be returned to the capital programme (e.g., boiler replacements, emergency works at the Civic Offices). As funding from new external borrowing is limited, these works will be financed from existing underspends elsewhere in the capital programme.
Replacement of Bus Passenger Shelters	0.228	As part of the capital programme review and in consultation with the corporate director, the level of funding for the bus shelters project was reduced. Capital expenditure continues to be incurred on the contract that is in place, however no new bus shelter works are planned. Part of the budget requires adding back into the programme, to fund this expenditure and will be financed from external borrowing.
Moving Traffic Offences – Junction 31	0.498	To utilise available legislation to enforce penalties for 'Moving traffic offences' at Junction 31 M25 (roundabout) and specifically the 'encroachment' of vehicles into 'yellow boxes' at the approved site. The costs of installing ANPR cameras will be self-financing from the income received. There will be a lag in the income earned in the first year, however, this is a cashflow issue and based on the traffic survey will be repaid in future years.

<u>Slippage on Capital Programme</u>

10.9. A full schedule of slippage on the General Fund capital programme is shown in appendix 2.

10.10. 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.

10.11. A schedule of General Fund projects is included in Appendix 3.

10.12. Several capital schemes are expected to complete construction in future years with expenditure totalling £67.117m. Budgets for these schemes have already been profiled accordingly.

10.13. 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.

Housing Revenue Account Capital Schemes

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

Table 22 - HRA Capital Programme

Summary of the 2023/24 HRA Capital Programme	**Latest Agreed Budget**	**Projected Outturn**	**Projected Outturn Variance**
Expenditure:	**£'000**	**£'000**	**£'000**
Housing Development	2,828	1,349	(1,479)
Transforming Homes	28,956	28,586	(370)
Total Expenditure	**31,784**	**29,935**	**(1,849)**
Resources:			
Prudential Borrowing	(20,078)	(18,386)	1,692
Reserves	(230)	(73)	157
Government and Other Grants	(307)	(307)	0
Revenue Contribution to Capital (MRR)	(11,169)	(11,169)	0
Total Resources	**(31,784)**	**(29,935)**	**1,849**
Forecast Deficit/(Surplus) in Resources	**0**	**0**	**0**

Transforming Homes

10.15. The budget for Transforming Homes in 2023/24 is £28.956m and the out-turn spend is £28.586m

HRA New Build Schemes

10.16. The outturn position for 2023/24 for HRA New Build Schemes are set out in Appendix 4 and primarily covers Loewen Road and feasibility and design work for Teviot Avenue and Blackshots. 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.

11. Reasons for Recommendation

11.1. The Council has a statutory requirement to set and deliver a balanced budget annually and this can include the use of reserves.

11.2. This report sets out the budget pressures in 2023/24 and notes that exceptional financial support is required to deliver a breakeven position.

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

12.1. This report is based on consultation with the services, Senior Leadership Team, and Commissioners.

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

13.1. The budget gap identified in the report requires ongoing engagement with the Department for Levelling-up Housing and Communities (DLUHC) regarding exceptional financial support.

14. Implications

14.1. Financial

Implications verified by: **Rosie Hurst**
Interim Finance Manager

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

14.2. Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services

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.

14.3. Diversity and Equality

Implications verified by: **Becky Lee**

Community Development and Equalities Manager

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

14.4. **Risks**

Revenue Budget:

14.4.1. The quarter 3 forecast outturn position is based on several assumptions, and it is noted there are several risks which could affect the position. It is noted that the impact of these risks materialising for the 203/24 financial year is now reduced given there is only one remaining quarter but should be taken into account for the new financial year:

Risk Area	Concern
Inflation	➢ Inflation remains high 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.
Provider Failure	➢ 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.
Ongoing Demand Volatility	➢ Following the pandemic, the level of demand for key services within the system and particularly within the Social Care services has risen. ➢ Increases in the level of need for people being discharge from hospital requiring continuing social care support to live independently outside of residential care. ➢ Increased complexity and the associated requirement for additional care support for Looked After Children ➢ 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
Delivery Risk	➢ 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.
Interest rates	➢ Changes to the Bank of England interest rate may further impact the cost of borrowing.
Waste Collection	➢ 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.
School Transport	➢ 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.

Capital Budget:

14.4.2. Capital project delays (slippage) can often lead to increased costs, exacerbated by inflationary pressures. The impact of inflation on construction materials, labour and other project related expenses can make it challenging for project managers to adhere to their initial estimates. Where increased costs are experienced, these will be reported to the Capital Board and subsequently onto Cabinet.

14.4.3. Further contractual spend is expected on the A13 project in relation to compensation claims, however everything is being done to contain this within the existing budget envelope

14.4.4. As part of the capital programme review, remaining non contractual funding for the Purfleet regeneration and Stanford le Hope interchange projects was removed from the programme, pending further reports to Cabinet. Some expenditure continues to be incurred on both projects and how this is financed will be reviewed during the yearend process.

14.5. **Other Implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None

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):

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

16. Appendices to the report

Appendix 1 – Capital Strategy Budget Movement
Appendix 2 – General Fund Capital project Slippage
Appendix 3 – General Fund Projected Outturn
Appendix 4 – HRA Projected Outturn
Appendix 5 – General Fund – Projected Outturn (Portfolio Analysis)
Appendix 6 – Reserves

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Finance