

<b>11 November 2015</b>		<b>ITEM: 10</b> <b>01104423</b>
<b>Cabinet</b>		
<b>Shaping the Council and Budget Update</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor John Kent, Leader of the Council		
<b>Accountable Head of Service:</b> Sean Clark, Head of Corporate Finance and Section 151 Officer; Karen Wheeler, Head of Strategy & Communications		
<b>Accountable Director:</b> Lyn Carpenter, Chief Executive		
<b>This report is Public</b>		

### **Executive Summary**

This budget report provides an update to Cabinet on the pressures being identified in 2015/16 and how these might impact on the 2016/17 budget projections. Cabinet should note that the final analysis of pressures and mitigating actions is still work in progress and a fuller report will be brought to the December Cabinet meeting.

The grant reductions included in the Medium Term Financial Strategy (MTFS) are based on previous government announcements regarding levels of departmental spend. The actual levels of reduction are likely to be announced in December 2015 after the Comprehensive Spending Review (CSR) on 25 November 2015. Actual figures are unlikely to be known by the December meeting but an update on key issues within the CSR will be reported at that time.

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

- 1.1 That Cabinet note the 2015/16 net service budget pressure, with particular focus on those in Children's and Environment Services, and that officers will bring back further mitigating action to the December Cabinet;**
- 1.2 That Cabinet note the current position on the Serco pension fund projected surplus;**
- 1.3 That Cabinet note the potential new pressures in adult and children's social care and that work is underway to understand these pressures and identify mitigating action; and**

**1.4 That Cabinet acknowledge the current position on the Serco contract termination and transfer of staff.**

**2 Introduction and background**

- 2.1 This report sets out the pressures in 2015/16 and the Medium Term Financial Strategy (MTFS) with a need to meet an estimated budget gap of over £28.8m for the four years between 2016/17 and 2019/20. In addition, pressures have been identified in 2015/16 that require mitigation.
- 2.2 A robust approach to considering the future shape of the Council and budget planning process was agreed by Cabinet in July 2015 including the establishment of a cross-party Budget Review Panel.
- 2.3 Directors' Board will be finalising their recommendations at a meeting on 10 November and will then present to the Budget Review Panel in November in advance of a report to Cabinet in December.
- 2.4 When considering both 2015/16 and future years, Cabinet should be aware of the savings that are already being made by services and acknowledge that these budget reductions add to the difficulties in both achieving further savings and maintaining service provision.

	2015/16 Budget	Net savings 2010/11 – 2015/16 £000s	Additional savings 2015/16 £000s	2016/17 MTFS £000s
Adults, Health and Commissioning*	31,125	10,630	(525)	(750)
Children's Services	28,901	9,724	(1,567)	(896)
Environment	16,767	7,604	(739)	(601)
Planning and Transportation	7,114	3,993	(313)	(298)
CE Office and Delivery Unit	17,479	6,368	(803)	(250)
Commercial Services	2,317	4,649	(4)	(550)
Public Protection	1,574	1,721	(4)	0
Housing Services (GF)	576	94	(4)	0

(\*) Includes £0.614m in-year Public Health Grant reduction

### 3 Medium Term Financial Strategy (MTFS)

#### 2015/16

- 3.1 Previously, Cabinet received a report that set out net pressures of £1.269m, mainly from decisions on savings within Environment and the closure of the Sita recycling plant. The report also stated that there were pressures within Children's and Housing Services and these are further reported below as part of a fuller month 6 budget monitoring exercise. In addition, Adults' Social Care is experiencing pressures in the placements budget. All of these are likely to flow through to 2016/17 and so provision has been made within the MTFS.
- 3.2 The table below sets out the latest forecast for 2015/16 and reflect a net position of pressures and mitigating actions.

Service	Budget £000s	Forecast Outturn Variance £000s
Adults. Health & Commissioning	31,372	0
Children's Services	28,901	2,233
SERCO	17,144	0
Environment	16,767	529
Chief Executive's Office	15,069	(1,768)
Planning & Transportation	7,114	(639)
Chief Executive's Delivery Unit	2,410	(35)
Commercial Services	2,317	0
Public Protection	1,574	(4)
Housing General Fund	576	(4)
Public Health	(247)	0
<b>Grand Total for Service Areas</b>	<b>122,996</b>	<b>312</b>

- 3.3 The table shows that there are total service pressures of £0.312m but Cabinet should note that there is a possible additional liability of £3m that relates to the payment to Serco of a projected pension surplus in the Essex Pension Fund. This has previously been reported to Cabinet but there are two points to note:
- This is an estimated amount that is based on the Pension Fund having summary information during termination discussions. The final sum will not actually be known until March 2016 but a more accurate proxy figure should be available by the end of December; and
  - Discussions are ongoing with Essex Pension Fund as to whether this payment can be offset against future budgeted contributions. The

current indication is that this will not be possible and so is included as a pressure.

- 3.4 Adult social care is facing considerable demand pressures – we are living longer and with more complex, chronic health conditions. The NHS locally is facing significant financial deficits (estimated to be between £130m - £140m across Essex). Also the provider market is showing signs of severe business pressure (BUPA have announced their intention to close over 200 care homes and Four Seasons, one of the biggest UK care providers, is experiencing major financial problems).

For 2015/16, at month six, we are reporting a forecast pressure for adult social care of just over £500k. In addition we are facing a very difficult situation within domiciliary care as one of our providers has given notice that it can no longer continue with the existing contract – this may result in extra costs as we seek alternative providers. Officers within the Directorate are reviewing all budgets to manage this down and secure a break-even position.

For 2016/17 we are currently out to consultation on a number of savings proposals. This has generated a large number of responses and the results of this will come back to Cabinet in February 2016. In addition officers are assessing the implications of the introduction of a National Living Wage from April 2016. This is a 7.5% increase on the current national minimum wage and could potentially add a further £1m costs to local social care providers. Directors Board is assessing the implications of this.

- 3.5 In Children's Services, there has been considerable pressure on the 2015/16 budget with 79 unaccompanied asylum seeking children (UASC) now being looked after by Thurrock, compared with a usual average of around 30. There is a significant shortfall in grant reimbursement for these costs. In addition to this there are additional pressures while the service moves away from a reliance on agency staff, towards "growing our own" staff. While our cohort of nearly 20 newly qualified staff go through their first year, they have reduced caseloads and cannot take on statutory work, meaning there is additional reliance on agency staff for this period. An increase in numbers of families moving into the borough has also increased casework for social care and additional workers have been taken on to ensure safe and manageable caseloads. Discussion with the Home Office to increase funding for UASC placements and casework continues with the aim of increasing the funding paid from central government.
- 3.6 The Environmental Services' related pressures have been added into the MTFs for 2016/17 as, unless permanent alternative savings are achieved, they will be a base budget pressure going forward. Officers are working on options to reduce the high cost of recycling and these will be reported in due course.
- 3.7 Considering the above, officers are working towards needing to identify the funding for **£3.312m** and will bring back a further report to the December Cabinet meeting.

## **2016/17**

- 3.8 Cabinet have previously received reports stating a deficit for 2016/17 of £3.424m. There are two changes to report to this figure at this time:
- The savings for 2016/17 still included a residual target of £0.260m for the full year effect of fortnightly refuse collection – this has now been removed; and
  - Through investments, officers are recognising additional income of £0.704m.
- 3.9 Although this reduces the total to £2.980m, officers are still finalising the growth that will be required and this is likely to increase this figure:
- a) The 2015/16 pressures in Children's Services were varied and are likely to impact on 2016/17; and
  - b) Pressures in Adults' Social Care are two-fold. Firstly, there is the impact of the minimum wage on the care provider contracts and, as set out earlier in this report, the service is seeing growth in placements, especially in the areas of dementia and autism.
- 3.10 The figure of £2.980m assumes growth of £3m in total to be allocated but when officers report back in December with confirmed figures, any increase on this figure will increase the deficit accordingly.

## **Comprehensive Spending Review and Future Years**

- 3.11 In addition to the £2.98m for 2016/17, there remains a pressure of £25.8m for the three years 2017/18 to 2019/20.
- 3.12 The report in December will update these figures in light of the CSR announcement and any further growth trends from demand led services.

## **Serco**

- 3.13 The termination of the Serco contract is a key facilitator to being able to reshape the Council. The service currently costs in excess of £18m and employs circa 450 permanent and temporary staff. Having control over the financial and staff resources will allow the Council greater flexibility in changing its approach to service delivery.
- 3.14 Officers and Serco continue to work to the termination date of 30 November 2015. Progress is continuing on the novation of third party contracts and Serco have now been able to confirm that Bilfinger Europa will novate to the Council.
- 3.15 The transfer of staff remains a key work stream and final TUPE issues are being worked through ahead of the termination date and staff transfer.

## **4 Issues, Options and Analysis of Options**

- 4.1 The issues and options are set out in the body of this report in the context of the latest MTFS and informed by discussions with the Leader of the Council, Group Leaders and Directors Board.

## **5 Reasons for Recommendation**

- 5.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2015/16, 2016/17 and beyond in the context of needing to achieve over £28.8m of budget reductions over four years.

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

- 6.1 Corporate Overview and Scrutiny Committee considered the summary information from each of the Budget Review Panels and will continue to have a role in overseeing the process.
- 6.2 This report has been developed in consultation with the Leader, Portfolio Holders and Group Leaders and Directors Board.

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

- 7.1 The implementation of savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. Delivering further savings in addition to those previously agreed is particularly challenging in light of the cumulative impact of such a significant reduction in budget and in the context of a growing population and service demand pressures within children's and adult social care and housing, and legislative changes. As such, a new approach aims to establish sustainable and innovative ways of delivering services in the future to mitigate this impact.
- 7.2 There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. This will need to be closely monitored. The potential impact on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.

## **8 Implications**

### **8.1 Financial**

Implications verified by: **Sean Clark**  
**Head of Corporate Finance/S151 Officer**

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

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports will continue to come to Cabinet and be considered by the Directors Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Austerity measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

## 8.2 Legal

Implications verified by: **David Lawson**  
**Deputy Head of Legal & Governance - Deputy Monitoring Officer**

There are no direct legal implications arising from this report.

There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act 1988 (Section 114) prescribes that the responsible financial officer "must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority". This includes an unbalanced budget.

## 8.3 Diversity and Equality

Implications verified by: **Natalie Warren**  
**Community Development and Equalities Manager**

There are no specific diversity and equalities implications as part of this report. A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed from the Panel's discussions and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

## 8.4 Other implications (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

**9 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):

- Budget working papers held in Corporate Finance
- Budget Review Panel papers held in Strategy and Communications

**10 Appendices to the report**

- None

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