

9 December 2015		ITEM: 10 01104428
Cabinet		
Shaping the Council and Budget Update		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor John Kent, Leader of the Council		
Accountable Head of Service: Sean Clark, Head of Corporate Finance and Section 151 Officer; Karen Wheeler, Head of Strategy & Communications		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

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 report will be brought to the January Cabinet meeting setting out the final proposals for both 2015/16 and 2016/17.

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 this month following the Comprehensive Spending Review (CSR) on 25 November 2015. Actual figures are unlikely to be known by this meeting but an update on key announcements within the CSR are included in this report.

- 1. Recommendation(s):**
 - 1.1 That Cabinet note that the 2015/16 operational budget pressures have been mitigated, subject to no further pressures over the winter, but that the Serco pension liability remains;**
 - 1.2 That Cabinet receive a report in January outlining actions for the Serco pension liability and sets out the proposed 2016/17 budget for consideration by Corporate Overview and Scrutiny;**
 - 1.3 That Cabinet note the headlines from the Comprehensive Spending Review and receive further updates as detail is released; and**

1.4 That Cabinet note the potential impact on service budgets should the deficit forecasts be allocated on a pro rata basis.

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 in 2015/16 of £6m have previously been reported along with mitigating action.

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 8 December and will then present to the Budget Review Panel in December in advance of a report to Cabinet in January.

3 Medium Term Financial Strategy (MTFS)

2015/16

3.1 Previously, Cabinet received a report that set out gross pressures of £6.114m and that mitigating action had reduced this sum to an operational pressure of £0.312m. In addition, there remains the Serco termination pension liability estimated at £3m.

3.2 Further savings have been identified that clear this remaining operational deficit, subject to no further pressures arising over the winter months, and makes a small contribution towards the Serco pension liability. 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	508
Chief Executive's Office	15,069	(2,068)
Planning & Transportation	7,114	(674)
Chief Executive's Delivery Unit	2,410	(60)
Commercial Services	2,317	0
Public Protection	1,574	(54)
Housing General Fund	576	(4)

Public Health	(247)	0
Grand Total for Service Areas	122,996	(119)

- 3.3 Considering the above, officers are working towards needing to identify the funding of circa £3m and will bring back a further report to the January Cabinet meeting.

2016/17

- 3.4 Cabinet considered a report at their meeting in November that set out a deficit of £2.980m but advised Members that further work was taking place on growth pressures within Adults' and Children's services.
- 3.5 Directors' Board have currently been asked to consider the following growth:
- a) Children's Services are requesting an increase in the planned budget for next year of £3m, largely in line with the pressures from this year; and
 - b) Adults are requesting growth of £1m to meet the cost of the minimum wage within care provider contracts and £1m to meet demand growth, namely through young people coming through transition with autism, dementia and people with complex and challenging behaviour.
- 3.6 Directors' Board are still going through a challenge process on these requests but, if realised, will increase the deficit to £4.98m as only £3m had been provided for within the MTFS. This is currently our working assumption with final amounts being confirmed in January.

Comprehensive Spending Review and Future Years

- 3.7 The Chancellor of the Exchequer published the government's Spending Review 2015 and Autumn Statement on 25 November 2015, setting out public expenditure plans for 2016/17 to 2019/20.
- 3.8 Key issues for local authorities are set out below but the lack of detail at the time of writing does not allow a financial analysis of the impact on Thurrock. These will be the subject of future reports as they become clear.
- a) Councils with adult social care responsibilities will have the power to raise an additional 2% through Council Tax to fund adult social care. The 2% would be in addition to the Council Tax referendum limit (yet to be announced) and would need to be used for adult social care only. This could raise circa £1m for Thurrock;
 - b) Savings will be made to Public Health Funding, with 3.9% average real terms saving per annum over the next five years. The ring fence will be maintained for 2016/17 and 2017/18. The government are also planning to consult on moving the funding from the current grant-based system to being funded from

retained business rates. Any annual reduction will need to be absorbed within the ring fenced envelope;

- c) Intention to move to 100% business rates retention by local government by the end of this Parliament. However, none of the figures published reflect this move and consultation is anticipated;
- d) Local authorities will be able to spend 100% of fixed asset receipts (excluding Right to Buy) on the revenue costs of “reform projects”;
- e) Core schools’ budgets are protected, enabling the per pupil rate for the Dedicated Schools Grant to be protected in cash terms;
- f) The government will introduce the first national funding formula for schools, high needs and early years. The government will launch a detailed consultation in 2016 and implement the new formulae from 2017/18;
- g) There will be investment of £3bn over the Parliament to open 500 free schools and provide 600,000 additional school places, rebuild and refurbish over 500 schools and address maintenance needs;
- h) The government plans to extend Academies and, in doing so, to save up to £600m on the Education Services Grant. Some reduction has been assumed in the MTFs but this will be confirmed through the grant announcement;
- i) The government is to consult on reforms to the New Homes Bonus, including means of ‘sharpening’ the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care. Details of both reforms will be set out as part of the local government finance settlement consultation, which will include consideration of proposals to introduce a floor, which is intended to ensure that no authority loses out disproportionately;
- j) Temporary Accommodation Management Fee will be removed from the benefits system, with local authorities taking on more responsibility and receiving more funding in order to support homeless people;
- k) There will be a 0.5% levy on pay bills to fund the national Apprenticeship programme. This has an estimated impact of over £0.3m on the Council pay bill; and
- l) There were a number of other announcements that will affect our residents, especially in terms of welfare changes and the protection to police budgets.

m) The new National College for Creative and Cultural Industries, based at High House Production Park in Purfleet, was also referenced.

3.9 **Council Tax** – the CSR was silent on any proposed referendum limit for the standard annual Council Tax increase or Council Tax freeze grant.

3.10 There is a zero percentage increase assumed whilst also assuming that there will be a further Council Tax freeze grant. A grant has not been confirmed and will be a matter for the CSR:

a) The grant assumed is £600k;

b) A council tax increase of 1.99% is worth circa £1m;

c) If there is no council tax freeze grant and no increase, the position will worsen by £600k; and

d) If council tax is increased, the position will improve by £0.4m.

3.11 The announcement for the 2% increase to be ring fenced for Adult Social Care provides a change in direction towards the treatment of council tax. Previous announcements since 2010 has tended towards freezing council tax but the CSR clearly set out the national amount that the government expects local authorities to raise through this increase over the life of this parliament.

Serco

3.12 This report has been used over recent months to provide Members with an update on progress of the termination of the serco contract. We can confirm that the termination and transfer of staff took place as planned over 30 November/1 December.

The Medium Term

3.13 The Council still needs to identify in the region of £28m-£29m over the next four years.

3.14 Directors' Board are considering options for the period from 2017/18 onwards and have a dedicated meeting on 8 December to consider how best to meet this challenge. To add context though, and to demonstrate the impact that this figure has on services, Appendix 1 shows the net budget that each service would retain if allocated on a pro rata basis (the target figure has been increased by 15% to provide choice to Members).

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.
- 6.3 Consultation meetings will take place with the voluntary sector, Community Forum chairs and Business Board in January 2016 to discuss the budget position and savings the Council needs to make in the next few years.
- 6.4 New webpages are being created, with a link from the home page of the Council's website, setting out the reduction in Government grant since 2010, how the Council is funded and things that residents can do to help reduce costs such as recycle and access services online. These pages will be added to throughout the budget planning process and will provide a basis for other communication activity through to budget setting in February including providing information to every household with the Council Tax bills.

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

- Appendix 1 – Indicative Services Budgets

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