

9 March 2016		ITEM: 10 (Decision 01104354)
Cabinet		
Shaping the Council and Budget Proposals		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor John Kent, Leader of the Council		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

On 24 February 2016, the Council set the budget for 2016/17 and agreed Council Tax increases of 2% for Adult Social Care and 1.99% as a general increase. These increases, in addition to more stretching income targets, support the need for the Council to become financially self-sustainable by 2019/20.

This report provides a short update on the Council's current and medium term financial position.

1 Recommendation(s):

- 1.1 That Cabinet note the financial pressures still being faced in Children's Services;**
- 1.2 That Cabinet note the need to identify £18.5m through a combination of additional income and cost reduction over the period 2017/18 to 2019/20; and**
- 1.3 That Cabinet note the assumptions set out in the Medium Term Financial Strategy forecasts as set out in paragraph 4.2.**

2 2015/16

- 2.1 Previous reports have set out to Cabinet significant over spends in Children's Services (gross pressures of £4m).
- 2.2 The most recent analysis has identified that these pressures are increasing for three main reasons:

- a) Unaccompanied Asylum Seekers (UASC), including recognising assumed levels of reimbursement from government for the 2014/15 financial year;
 - b) The cost of placements; and
 - c) The cost of interim staff over and above establishment to meet acceptable social worker to child ratios.
- 2.3 The current estimate of these additional pressures is £1.9m but further work is taking place on confirming this figure and what mitigation is available.
- 2.4 Members will recall that the Council has an outstanding liability relating to pension costs from the Serco termination. The figure should have been provided by Essex County Council (ECC) Pension Section by now to give the Council certainty over the liability.
- 2.5 An update from ECC on 18 February 2016 reported that they were still waiting, some three months after the termination date, for 80 case files and a number of queries to be answered by Serco. ECC's current estimate is that it could be late April or even May before a figure can be provided.
- 2.6 This puts the Council in difficulty in terms of closing the accounts for 2015/16 and we even need to recognise the impact on ECC doing this additional work at a year end, traditionally one of the busier times of the year. The likelihood is that the Council will have to close the accounts on an estimate.

3 2016/17

- 3.1 The Council agreed a balanced budget at their meeting on 24 February 2016 that included a small budget to aid transition towards financial self-sustainability.
- 3.2 There are three pressures that are already clear for 2016/17 that will be further considered and defined by Directors' Board throughout March:
- a) £2.5m of additional budget has been provisionally earmarked for Children's Services. Directors' Board will be considering the ongoing impact of current caseloads, numbers of Unaccompanied Asylum Seekers and the related impact of both of these areas on staffing levels and whether they will be contained within the additional budget provision. If this cannot be achieved, officers will bring back mitigating proposals;
 - b) The Public Health Grant (PHG) has been reduced by £0.924m. The combination of late notification of the grant and the fact that the majority of spend is subject to contracts, there is likely to be a pressure that cannot be mitigated within the PHG itself; and

- c) There has been a recognition that cuts in Environmental Services have been too drastic in recent years. A number of options to build on the current levels of service are currently being considered.

3.3 All of the above will be kept within the agreed budget envelope.

4 Medium Term Financial Strategy (MTFS)

4.1 The MTFS covering the period 2017/18 through to 2019/20 shows a total savings requirement of £18.5m, split between years as follows:

	£m
2017/18	7.4
2018/19	6.1
2019/20	5.0
Total	18.5

4.2 Members should note the following assumptions in these figures:

- a) Each year assumes Council Tax increases of 3.99% reflecting both Adult Social Care and general increases;
- b) Growth to meet demographic and economic demands is included at £3.5m per annum – increases between 2015/16 and 2016/17 have been higher than this with growth of £4.5m along with additional pressures in Children’s Services as set out earlier in this report; and
- c) The MTFS sets out a budget envelope and so does not make any provision for redirecting resources towards the Council’s priorities. Any redirection will obviously increase the amounts to be raised through income and/or need to be saved from other service areas.

4.3 Meeting these budget gaps will be challenging, especially considering the amounts taken out of the budget in previous years. Officers are obviously concentrating on two key areas that have a number of sub-projects under them:

- a) Income generation – including increasing the Council’s commercial trading base from Environment to support services and using treasury to both kick start growth projects whilst earning premiums on loan advances or income through rental streams. Note, Council Tax increases also fall under this category; and
- b) Achieving more or the same for less – including further transformational projects, contract reviews, spend to save initiatives and alternative delivery models.

- 4.4 Where the budget gap cannot be fully closed through the above, the likely solution will be reductions to, or full cessation of, service provision.
- 4.5 There are a number of actions that are currently being carried out or planned that will help Members and officers identify base budget positions and savings opportunities to meet this financial challenge:
- a) The LGA were requested to carry out a use of resources review on Adult Social Care in Thurrock. This has now developed into a mini benchmarking, comparing the Council to services in Derby and Central Bedfordshire;
 - b) Discussions are taking place with iMPower for a review of Children's Social Care;
 - c) In Environment, business process re-engineering of the back office, reviews of waste disposal service and reshaping contracts and investigating new schedules and systems for planned works such as sweeping and main routes grass cutting;
 - d) The Ochre Organisation is supporting services in a number of income generation and alternative delivery model projects; and
 - e) MACE has been appointed to carry out a review of the Council's asset base.

5 Issues, Options and Analysis of Options

- 5.1 The main issue is identifying options to close the budget gap over the life of the Medium Term Financial Strategy whilst trying to protect front line services. There are currently no options to be considered as these are work in progress.

6 Reasons for Recommendation

- 6.1 To update Cabinet on the current financial forecasts and actions currently being progressed.

7 Consultation (including Overview and Scrutiny, if applicable)

- 7.1 As options are developed and considered, the relevant consultation will take place with Members, the communities and other statutory bodies.
- 7.2 Feedback from the online consultation currently taking place will inform future options.

8 Impact on corporate policies, priorities, performance and community impact

- 8.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.
- 8.2 The scale of future budget reductions as set out in this report are such that work is underway to develop a transformational approach to tackling this challenge in future years.

9 Implications

9.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

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.

9.2 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.

9.3 **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 to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

9.4 **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.

10 **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

11 **Appendices to the report**

- None

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