

4 September 2019	ITEM: 10 Decision: 110516
Cabinet	
Revenue Budget Monitoring – Quarter 1 2019/20	
Wards and communities affected: All	Key Decision: Key
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance and Transformation	
Accountable Assistant Director: Jonathan Wilson, Assistant Director - Finance, Corporate Finance	
Accountable Director: Sean Clark, Director of Finance and IT	
This report is public	

Executive Summary

The 2019/20 budget was agreed by Council on 27 February 2019 and resulted in a Directorate budget envelope of £136.480m and, in addition to this, a surplus of £5.803m. This results in an overall budget envelope of £142.283m.

The position forecast at the end of June 2019 is a net pressure of £1.502m or 1.10% against the General Fund Directorate budgets. This reflects staffing pressures in Children's, domiciliary care and demographic growth cost pressures in Adults, Housing and Health.

Cabinet should note that, based on this forecast, the overall General Fund Budget still has a projected surplus of £4.301m. Officers continue to take action to meet the agreed Directorate budget envelopes and are confident that, as in previous years, this will be achieved.

There is a pressure in the High Needs Block on the Dedicated Schools Grant and the Housing Revenue Account is projected to breakeven.

1 Recommendations:

- 1.1 That Cabinet comment on the forecast outturn position for 2019/20 and support the need for further mitigation to outturn within the agreed budget envelope.**

2 Introduction and Background

- 2.1 In February 2019 Council agreed the 2019/20 budget in line with the balanced MTFS. The Authority continues to pursue an investment approach and to further identify efficiencies across all service areas through the strategic boards. The budget includes savings of £0.900m identified as part of the Council Spending Review.
- 2.2 The summary forecast position is set out below:

Summary position

Directorate	Revised budget	Forecast Outturn (Q1)	Variance to budget	Variance to budget
	£'000	£'000	£'000	%
Adults, Housing and Health	37,993	38,506	513	1.35
Children's Services	35,999	36,971	972	2.70
Commercial Services	723	723	0	
Corporate Costs	4,302	4,302	0	
Strategy, Communications & Customer Services	2,850	2,782	(68)	(2.39)
Environment and Highways	28,081	28,166	85	0.30
Finance, IT and Legal	11,431	11,431	0	
Housing General Fund	983	983	0	
HR, OD and Transformation	4,339	4,339	0	
Place	9,780	9,780	0	
Service Total	136,480	137,982	1,502	1.10
Central Financing	(111,688)	(111,688)	0	
Treasury	(24,792)	(24,792)	0	
Funding Total	(136,480)	(136,480)	0	
Total	0	1,502	1,502	

- 2.3 The report sets out the latest forecast position for 2019/20 across the main revenue accounts – the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health grant.

3 General Fund

Adult Social Care - £0.513m overspend

- 3.1 Adults Social Care operate within a demand led environment and there remains concern around the impact of low volume high cost placements. These are predominately related to those people with complex learning disabilities or mental health conditions where options for appropriate support packages are limited and costly.

- 3.2 The delivery of Domiciliary Care remains a concern despite receiving additional funding through the Improved Better Care Fund. Although improving, there remains instability within the market with providers experiencing ongoing issues with recruitment and retention of staff. This is a situation which is being demonstrated nationally and it is recognised that the way in which homecare is delivered as a service needs to be transformed. Thurrock are trialling Wellbeing Teams in an attempt to redesign homecare and deliver sustainability on a long term basis.
- 3.3 A move to reduce the number of people currently awaiting domiciliary care packages has added cost pressures in the first quarter. A review of the waiting list arrangements will be undertaken at an operational level.
- 3.4 Providers within the Care Home sector have identified concerns with the fees received for placements made under Local Authority contract rates. One care home is due to close as it is not a financially viable model. A wider piece of work is underway to review the uplifts that have been awarded and if they are sufficient. The Local Authority have a duty to support stability within the marketplace.
- 3.5 Income generated from client contributions towards care packages can fluctuate due to the ongoing financial assessments and reviews carried out by the team to determine eligibility and ability to contribute. There has been a reduction in the number of clients fully funding their own care needs.

Children's Services - £0.972m overspend

- 3.6 The ongoing service review of children's social care and transport has identified options for improved service delivery with payback on investment over a 4 year period. Service improvements can be demonstrated linked to the investment made.
- 3.7 Staffing levels are being maintained to ensure appropriate caseload ratios and capacity to deliver the spend to save transformation initiatives.
- 3.8 Support for Looked After Children and young people subject to Child Protection plans remains a risk due to the demand led nature and high potential costs for individualised support packages. Placement budgets continue to be closely monitored with particular scrutiny of high cost placements made with external agencies.
- 3.9 The number of young people being accommodated under Section 20 of the Children's Act 1989 (where a child has come into care on a 'voluntary' basis and not as part of a court order) have been an historical pressure on the budget. Early intervention approaches delivered by the newly established Edge of Care Team should deliver a level of cost avoidance. The concern is that this will be difficult to quantify.
- 3.10 Spend on adoption and special guardianship orders will be closely monitored and regular payment reviews carried out to ensure financial pressures

experienced in previous years are not repeated. The change in contract arrangements for the Adoption service will be monitored as part of the Service Review process to assess its viability on a long-term basis and budgetary impact.

Environment & Highways - £0.085m overspend

- 3.11 The directorate deliver a number of high profile services, which are considered priorities for both Members and residents. The need to ensure the borough is well maintained is vital in attracting new businesses to the area and this can potentially lead to in-year budget pressures, particularly around the resources required in the clearance of fly tipping.
- 3.12 Waste disposal continues to be a financial risk for the Directorate due to the variable elements involved. These include levels of recycling achieved and related contamination levels as well as fluctuating costs of disposal.
- 3.13 The Directorate's reliance on agency staff to ensure consistent service delivery will again cause a budgetary impact but the ongoing work supported by HR to move staff to permanent positions should help mitigate this.
- 3.14 It is anticipated that a number of mitigating actions can be identified within the service following further scrutiny of the available finance and performance data.

Place – on target

- 3.15 A number of conditions surveys have been carried out on the Authority's assets and the Corporate Landlord team are working towards a planned maintenance programme. The scheduling of this work could potentially impact the 2019/20 budget position but this will be carefully managed.
- 3.16 Planning application income may not be achieved to the budgeted levels but further data analysis is required to understand the full potential impact across the service.
- 3.17 It is the intention to manage budget pressures within the overall allocated budget.

Finance, IT & Legal – on target

- 3.18 Income recovery for the Fraud Investigation team's work as part of a traded service arrangement with other local Authorities is an identified risk area. There are ongoing discussions with key partners to resolve this and further updates will be presented in future reports.

HROD – on target

- 3.19 The Directorate is currently forecasting to come in within budget with no major pressures to report.

Strategy, Communications & Customer Services – £0.068m underspend

- 3.20 The Directorate is forecasting an underspend in Customer Services mainly within employee budgets.

Commercial Services – on target

- 3.21 The Directorate is currently forecasting a small underspend with no major variances to report.

Corporate Costs – on target

- 3.22 This budget covers a number of corporate expenditure items including housing benefit subsidy, council tax and business rate precepts, the annual contribution to the Essex Pension Fund to meet the current actuarial deficit and the allocation for the Minimum Revenue Provision. The budget is projected to meet budget at the end of quarter 1.

Housing General Fund – on target

- 3.23 Temporary Accommodation provision and Homelessness support have been subject to changes in legislation regarding the Local Authority's responsibilities to support anyone who presents themselves as homeless. Additional staffing resource has been allocated to support this area but the ability to manage demand for services remains an area of concern.
- 3.24 Income recovery for the three Travellers' sites will be closely monitored and the Debt Recovery Team will assist in the collection of monies owed to the Local Authority.

Treasury & Financing – on target

- 3.25 Planned investment targets have been achieved. There remains a pressure relating to net income from TRL schemes but officers continue to identify mitigating action.

External Income

- 3.26 Commercial Board set a target for external income generation to the general fund of £14.0m in 2019/20. This is through a combination of fees and charges and traded services and detailed schedules have been submitted to earlier Cabinet meetings.
- 3.27 At the end of Quarter 1 the full year forecast for external income is £0.388m below target for fees and charges and £0.281m below target for traded services:

Fees & Charges			
Directorate	Commercial Board target	Forecast	Variance
	£000	£000	£000
Adults, Housing and Health	(369)	(296)	73
Children's Services	(1,088)	(922)	166
Environment and Highways	(2,647)	(2,329)	318
Finance, Information Technology and Legal	(100)	(70)	30
Housing General Fund	(415)	(415)	0
Place	(3,111)	(3,309)	(198)
Total	(7,729)	(7,341)	388

Traded income			
Directorate	Commercial Board target	Forecast	Variance
Children's Services	(3,811)	(3,761)	50
Environment and Highways	(580)	(580)	0
Finance, Information Technology and Legal	(1,286)	(1,133)	153
HR, OD and Transformation	(338)	(338)	0
Place	(34)	(28)	6
Strategy, Communications & Customer Services	(225)	(152)	73
Total	(6,274)	(5,993)	281

- 3.28 Children's Services are projecting pressures within fees and charges due to lower than expected income for Grangewaters Outdoor Activity Centre and nursery provision. Grangewaters is anticipating an improvement to their position as they seek to make a number of corporate bookings. Both these areas will have corresponding reductions in expenditure to minimise the overall budgetary impact.
- 3.29 Environment & Highways have a shortfall projected in Highways Infrastructure of £0.318m but it is felt that with further analysis of the available performance data that this position may improve in the next quarter.
- 3.30 Finance, IT and Legal have forecast pressures within their traded services of £0.153m predominately due to a number of schools converting to academies. Commercial Services have recently recruited a Business Development Officer dedicated to school activity with the intention to review all current arrangements and to assist in the implementation of recovery plans where possible.

3.31 All the above pressures have been reflected in the overall budgetary position and will be closely monitored by Corporate Finance and the individual service areas.

3.32 The risk to Fraud income recovery should be noted as per paragraph 3.20.

4 Housing Revenue Account

- 4.1 Repairs and Maintenance costs related specifically to electrical testing have been identified as an in-year pressure. This is due to an aging housing stock and the need to carry out responsive repairs outside of the planned programme. Consequently there will be a rise in the level of void properties whilst the works are carried out and this will be reflected in the rent account once quantified.
- 4.2 The introduction of Universal Credit has led to a small increase in rent arrears. Measures are in place to mitigate the impact of this and approval has been sought from Digital Board to allow the implementation of a new software system. The cost of this will be contained within the HRA and a review of the bad debt provision will be carried out as a separate exercise. This is not currently shown as a pressure in the financial forecast as further analysis is being undertaken to quantify the full impact.
- 4.3 The financial pressures identified will be managed overall within the existing budgets as set out below:

Summary position:

Service	2019-20 Budget	Forecast Outturn (Jun-19)	Variance to budget
			£'000
Development	178	178	0
Financing and Recharges	23,681	23,311	(370)
Repairs and Maintenance	12,126	12,496	370
Supervision and Management	12,357	12,357	0
Rent and Income	(48,342)	(48,342)	0
	0	0	0

5 Dedicated Schools Grant

- 5.1 Thurrock continues to see a rise in the number of children and young people with Special Education Needs and Disabilities (SEND) and Education, Health & Care Plans (EHCP's). Additional provision is required to support these young people in an educational setting and this is funded through the High Needs Block of the DSG.

- 5.2 This area remains a pressure for a significant number of Local Authorities due to a combination of factors, these include; population growth, advances in medicine (which means children born prematurely or with disabilities survive and live longer than before with more complex needs), increased diagnosis of some conditions (e.g. autism) and increased parental expectations about the support their child should receive. Current projections indicate pressures of £0.285m. The table below reflects the updated 2019/20 DSG allocation:

2019/20	Funding Settlement	Academy Recoupment	DSG	Forecast Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Schools	118,839	(104,615)	14,224	13,980	(244)
Central Services	2,073	0	2,073	2,073	0
High Needs	23,863	(5,226)	18,637	19,166	529
Early Years	11,570	0	11,570	11,570	0
Total	156,345	(109,841)	46,504	46,789	285

- 5.3 The DSG reserve has a carried forward deficit of £2.657m into 2019/20. The approved movement from the Schools Block to the High Needs Block of £1.248m will reduce the balance to £1.409m in 2019/20. Information gathered by the Local Government Association found that 97% of Local Authorities expect there to be High Needs Block deficit. This is a key issue which needs to be addressed as part of the spending review. Officers continue to work with the Schools' Forum to reduce this deficit still further.

6 Public Health Grant

- 6.1 The Public Health Grant was subject to a further reduction in 2019/20 and this equated to £0.292m. Over the last three years this grant has been reduced by £0.869m. The allocation for 2019/20 is £10.7m.
- 6.2 The team have are managing staffing cost pressures within the in-year grant allocation but note there may be an impact on the level of public health initiatives elsewhere within their service.
- 6.3 The ring-fence conditions attached to this grant are due to end within the next two years and the service will then become part of core funding arrangements.

7 Reasons for Recommendation

- 7.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2019/20 along with actions to mitigate these pressures and deliver a breakeven position.

8 Consultation (including Overview and Scrutiny, if applicable)

- 8.1 This report is based on consultation with the services, Directors' Board and portfolio holders.

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

- 9.1 The implementation of previous savings proposals has already reduced service delivery levels and the council's ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings and mitigation 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.

10 Implications

10.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director Corporate Finance

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 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. 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.

10.2 Legal

Implications verified by: **Tim Hallam**
Acting Head of Law, Assistant Director of Law and Governance, and 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.

10.3 Diversity and Equality

Implications verified by: **Becky Price**
Community Development and Equalities

There are no specific diversity and equalities implications as part of this report.

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

There are no other implications arising directly from this update report.

11 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.

12 Appendices to the report

None

Report Author

Joanne Freeman
Senior Management Accountant
Corporate Finance