

16 September 2020		ITEM: 14
		Decision: 110531
Cabinet		
Medium Term Financial Strategy Update & Revenue Budget Monitoring – Quarter 1 2020/21		
Wards and communities affected:	Key Decision:	
All	Key	
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance and Transformation		
Accountable Assistant Director: Jonathan Wilson, AD Finance, Corporate Finance		
Accountable Director: Sean Clark, Corporate Director of Finance, Governance & Property		
This report is public		

Executive Summary

Medium Term Financial Strategy

In February 2020 the MTFS projected surpluses for the period 2021/22 to 2022/23, with a total £5.595m deficit over the full four year period; at the end of the modelling.

This has now deteriorated to a £33.673m deficit over the same period, including a projected deficit in 2021/22 of £19.3m. This represents a combination of projected reductions in locally raised taxes, increased costs – especially around social care resilience - and expected reductions in fees and charges arising from Covid-19. This continues to be assessed and remains subject to significant uncertainty.

The MTFS also reflects a pause to elements of the Capital Strategy approach. That equates to £11.973m of the total movement across the four years. Note that existing investments have continued to perform as anticipated (despite Covid-19), and have helped deliver services above the statutory minimum for residents of the borough since 2017. Some of the reasons behind the pause relate to new investment market opportunities reducing, along with the commitment to develop an enhanced scrutiny arrangement for Members. The pause also encompasses the pause of providing Thurrock Regeneration Limited more funding to develop new schemes whilst a review is completed of best delivery models.

A further report on how to close these budget gaps will be considered by Cabinet in October and then by the relevant Overview and Scrutiny Committees.

General Fund Revenue Monitoring

The position forecast at the end of June 2020 is a net pressure of £6.295m against the General Fund budget. This excludes the budgeted surplus of £4.074m which, if applied to the net pressure, would reduce this to £2.221m. This funding would address Covid-19 issues and the reduced income resulting from the pause of new investment activity.

Thurrock has received funding from Central Government to the value of £10.757m to mitigate costs associated with the Covid-19 pandemic which has been reflected in this report. Further guidance is expected with regards to additional support to offset income losses and this will be presented in future reports. Any balance will be met from reserves.

The position presented is still subject to significant uncertainty in response to the Covid-19 pandemic. The impact of this has been identified and separated from the core budget monitoring and on this basis the overall forecast position of £6.169m breaks down to:

- Forecast pressure the on delivery of core services - £4.088m; and
- Forecast Covid-19 related pressures (net of government funding) - £2.207m

There are two significant pressures in core services:

- A projected reduction of new investment income This pressure is projected to be £3.480m; and
- Projected increased costs in Children's Social Care relating to an increase in high costs placements. This pressure is projected to be £0.906m.

The Covid-19 pressures are split between:

- 1) Increased spend as a result of Covid-19 emergency response; and
- 2) Income losses as a direct result of Covid-19.

There remains ongoing uncertainty on the full impact that Covid-19 will have on existing services and while some financial risk has been projected this could increase significantly in these areas:

- Adult Social Care – there is concern over the future financial stability of the residential care market;
- Housing General Fund – there is the potential for significant increases in homelessness applications once landlord eviction actions can resume;
- Children's Services - Home to School Transport costs may be significantly impacted by social distancing requirements; and

- Theatre income – There may be further projected income losses should the pantomime season not progress.

The current estimate of this additional risk is estimated at circa £1.5m and this is not yet included in the reported position. There is also further funding from MHCLG to address income losses which will be applied once the guidance has been issued and then included in the forecast position.

The wider impact on Council Tax and Business Rates remain under consideration with the potential for losses linked to the wider economic impacts of the pandemic.

Housing Revenue Account

The Housing Revenue Account is projecting a breakeven position. There has been a limited impact from Covid-19 to date but this continues to be monitored and there remains concern over the stability of rents as the year progresses.

Dedicated Schools Grant

The DSG position is indicating pressures of £0.705m. This reflects the increased pressure in the high needs block and additional demand for school places in Thurrock. In common with the wider sector a three year recovery plan is being developed in consultation with the Education Funding Authority to address the deficit.

1. Recommendations:

1.1 That Cabinet comment on the MTFs and the forecast outturn position for 2020/21.

2. Medium Term Financial Strategy

2.1. The MTFs is included at Appendix 1. The overall financial position over the next four years has deteriorated by £27.485m since February 2020. This reduction has arisen from the projected impact of COVID-19 and a pause to elements of the Capital Strategy.

2.2. The impact of COVID-19 has resulted in the following key movements:

- Local Funding – the projected movement in the financial funding from Council Tax and Business Rates equates to £3.293m. This includes assumptions on the collection fund deficits and increases in the use of the local council tax scheme from the current year which remain subject to the wider economic impacts of the pandemic;
- Budget surpluses are now not projected across the life of the MTFs as the costs of the pandemic absorb these. This equates to a deterioration in resources of £5.531m; and

- Additional ongoing costs and loss of income – additional pressures and further income losses total £3.320m.
- 2.3. As noted earlier in the report, the council’s investment and capital strategy has been paused for new activity, with a projected impact of £11.973m over the life of the MTFS. This includes both cash investments and capital investments and hence the associated targets have been removed pending further consideration. (Note: there has been no significant impact on existing investments). In addition savings targets for subsequent years have been removed totalling £2m and revisions to wider projections total £3.368m.
- 2.4. There remains uncertainty over the wider economic impacts on the pandemic and the level of further financial support available to local authorities from central government. This continues to be monitored and updates to the MTFS will be made to reflect updated assessments of this position.
- 2.5. Cabinet will receive a further report on recommended actions to close these projected deficits in October 2020 with further reports to the relevant Overview and Scrutiny committees as required.

General Fund – Quarter 1 Revenue Monitoring

3. Introduction and Background

- 3.1. In February 2020 Council agreed the 2020/21 budget in line with the balanced MTFS. This was supported by an investment approach and the delivery of savings targets. The investment approach has been paused and savings targets have been delayed by the urgent response to the Covid-19 pandemic.
- 3.2. The financial reporting includes the impact of the pandemic which has required a wider range of responses from the Council and continues to be a significant source of uncertainty. This report sets out the latest assessment of the financial impact on 2020/21 and incorporates the associated MHCLG funding announced to date. The longer term economic impacts continue to be monitored to enable accurate estimates to be made for the 2021/22 council tax and business rate bases. There remains significant risk in this area.
- 3.3. There also remains uncertainty linked to the EU Exit process and, whilst we are mindful of this, we have not yet reflected this financial risk within this report.
- 3.4. The report sets out the latest forecast position for 2020/21 across the main revenue accounts – the General Fund, Housing Revenue Account, Dedicated Schools Grant and Public Health grant.

4. The General Fund position is set out in detail in the table below:

Row Labels	Budget £'000	Month 3 forecast £'000	Variance £'000	Less Income losses related to Covid-19 £'000	Month 3 Adjusted Directorate forecast £'000	Reported Month 3 forecast £'000
Adults, Housing and Health	42,950	43,441	491	(543)	42,898	(52)
Children's Services	40,234	42,059	1,825	(919)	41,353	906
Commercial Services	1,027	840	(187)	0	840	(187)
Environment & Highways and Counter Fraud	30,664	31,232	568	(568)	30,664	0
Finance, Governance and Property	17,521	18,363	842	(870)	17,493	(28)
Housing General Fund	1,766	1,788	22	(22)	1,766	0
HR, OD and Transformation	5,145	5,145	0	0	5,145	0
Place	5,306	6,369	1,063	(859)	5,510	204
Strategy, Communications & Customer Services	3,175	3,031	(144)	(91)	2,940	(235)
Corporate Costs	3,862	3,862	0	0	3,862	0
Unachievable savings	(1,027)	0	1,027	(1,027)	(1,027)	0
Central Financing	(117,600)	(117,600)	0	0	(117,600)	0
Treasury	(33,024)	(29,544)	3,480	0	(29,544)	3,480
COVID-19 Costs	10,757	8,065	(2,692)	4,899	12,964	2,207
COVID-19 Funding	(10,757)	(10,757)	0	0	(10,757)	0
Grand Total	0	6,295	6,295	0	6,295	6,295
Budgeted surplus						(4,074)
Total						2,221

Corporate Covid-19 impact by directorate:

- 4.1. Expenditure and income losses attributable to the Covid-19 emergency response for each directorate are broken down in the table below with further detail provided in the directorate commentary.

Directorate	Additional costs	Income losses	Total
	£'000	£'000	£'000
Adult Social Care	4,262	543	4,805
Children's Services	1,154	919	2,073
Environment and Highways	562	568	1,130
Finance, Governance and Property	372	870	1,242
Housing General Fund	1,096	22	1,118
Place	279	859	1,138
Strategy, Communications & Customer Services	0	91	91
Corporate	340	1,027	1,367
Total	8,065	4,899	12,964

Analysis by Service Area:

5. Adult Social Care

Service	Revised budget £'000	Forecast Outturn £'000	Directorate Outturn Variance £'000	Income adjustment £'000	Adjusted forecast £'000	Reported month 3 variance £'000
Assistive Equipment & Technology	599	587	(12)	0	587	(12)
Commissioning & Service Delivery	2,344	2,532	188	0	2,532	188
Community Development	2,088	2,117	29	(97)	2,020	(68)
External Placements	27,343	27,229	(114)	(52)	27,177	(166)
Fieldwork Services	3,654	3,874	220	0	3,874	220
Provider Services	6,863	7,043	180	(394)	6,649	(214)
Grand Total	42,890	43,381	491	(543)	42,838	(52)

Directorate Outturn Position

- 5.1. The directorate outturn position is currently projecting a forecast underspend of £0.052m. The department is able to finance the budget pressures, which are not as a result of the Covid-19 pandemic, within the overall service budget allocation. These are costs that occur during the running of front line operations of social care and safeguarding activities.

- 5.2. Premises and maintenance costs continue to be incurred within Collins House until longer term capital projects are undertaken, which form part of the capital programme budget, at the right point in time
- 5.3. There has been demand on the provider bank budget to cover additional staffing costs in the delivery of homecare and residential services.

Corporate Covid-19 Position – Adult Social Care

- 5.4. The following costs have been included in the position to support the financial resilience of providers, facilitate hospital discharges and support internal care provision and are all as a direct consequence of the pandemic:

Covid-19 Direct Response	£'000
External Market Support	
10% resilience Payments across ASC providers	2,856
Increase Home Care rates to 5% uplift	136
	2,992
Hospital Discharge	437
Internal Care provision	833
	4,262

- 5.5. The ongoing impact continues to be monitored closely to ensure that any adverse variance is reported as part of the Council corporate forecast.
- 5.6. Adult Social care departments nationally received a further allocation of grant funding – the Infection control grant in order address specific issues within the sector. This is ring-fenced for these purposes and reported outside of the position detailed above.

Direct Service intervention to the external market

- 5.7. Financial resilience payments. The Council has provided a temporary financial resilience payment of 10%. This was agreed to be paid for the first 16 weeks of the year and is based on the budgeted level of spend for each provider. This is available to all service providers and is in response to higher levels of dependency, staff sickness rates and absenteeism and overall volatility.
- 5.8. The Service has increased the uplift on domiciliary care providers from £16.25 to £17.06.
- 5.9. Although not agreed at this stage, it is possible that further resilience and support packages will be required by Local Authorities throughout the financial year to address the issues being faced by external providers and this has

been assumed in the above figures. The emerging situation with regards to residential care is of particular concern; with an increase in the number of voids resulting in higher unit costs for providers in an already fragile market. The current estimates in the forecast assume a continuation of the measures in place for the first sixteen weeks of the year but there remains the potential for additional financial risk.

Hospital Discharge process

- 5.10. In response to the Covid-19 Crisis and to ensure timely discharge the NHS and Local Authorities are required to work together to:
- provide free out of hospital care and support to people discharged from hospital;
 - provide free care and support to people requiring additional care to avoid hospital admission (in line with national guidance at the time and during the COVID-19 crisis);
 - remove barriers to discharge and transfers between health and social care to get people out of hospital and either home or into an alternative care setting quickly;
 - work together to maximize the funding available including putting relevant funds into a pooled budget to cover costs of discharge support and removing room for debate at this time; and
 - Provide support to the care market through the Covid-19 emergency period.
- 5.11. The Council is working closely with Thurrock CCG in order to deal with people who are being discharged from hospital during the pandemic.
- 5.12. The cost of care packages for people receiving a care package following discharge from hospital are currently being funded from the NHS. The Council is recharging the cost incurred to the CCG. The value of this at period 3 is £0.642m, which has been invoiced to the CCG, but the funds have not yet been received, and nationally are subject to closer scrutiny by NHS England.
- 5.13. A new hospital discharge process is in place from 1 September with the CCG required to fund cases for the first 6 weeks. This remains under assessment and the financial forecast will be adjusted to reflect this in due course.
- 5.14. A prudent forecast of £0.400m remains, taking into account an assumption around the number of clients who will not need continuing social care support, or will be eligible for some form of continuous contribution of health care support. This is however difficult to project accurately at this stage until the full Social Care and health assessments can be undertaken, which are subject to government legislation as to when this process can be reinstated. The hospital discharge process will see an increase in the level of adult social care service being provided that have not been commissioned through the assessment process detailed in the Care Act, and will require a significant level of retrospective review.

Internally managed care provision (Provider Services)

- 5.15. Internally managed care provision, namely through Collins house residential home and Thurrock Care at Home domiciliary care has faced significant additional costs during the pandemic. This largely equates to the following:
- Increased level of overtime and usage of provider bank staff to cover staff sickness and absenteeism;
 - Increase demand for PPE in order to undertake duties safely; and
 - Specialist domiciliary care teams implemented to provide care for clients who have tested positive for Covid-19.
- 5.16. The Covid-19 pandemic is starting to change the way in which Adult Social Care services are delivered. A legacy of the recent events could see a permanent reduction in the demand for residential care services, with a greater emphasis on domiciliary care and people being looked after in their own homes. This represents a significant ongoing economic and financial risk to this sector of the market. An increased number of voids, and reduction in demand will require a different financial strategy in future years.
- 5.17. There will also be a requirement to undertake a high level of both care and financial assessments when previous legislation is reinstated. This could result in additional costs in order to secure the required level of care resources.

Income adjustments

- 5.18. There has been a reduction in the forecast level of income that will be achieved in the financial year.
- 5.19. This is as a direct result of the Covid-19 situation, and relates to the following areas:

Service area	£'000
Closure of Day Care centres, libraries and community hubs	161
Temporary suspensions to charging and review processes	107
Internal residential care facilities operating on a reduced occupancy level	275
Total	543

- 5.20. The total impact of this has seen a reduction in the income forecast of £0.543m across the directorate.

6. Children's Services

Directorate outturn position

Service	Revised budget £'000	Forecast Outturn £'000	Directorate Outturn Variance £'000	Income adjustment £'000	Adjusted forecast £'000	Reported month 3 variance £'000
Central Administration Support and Other	1,478	1,369	(109)	0	1,369	(109)
Children and Family Services	30,288	31,715	1,427	0	31,715	1,427
Head Start Housing Service	716	716	0	0	716	0
Learning & Universal Outcomes	5,197	5,606	409	(919)	4,687	(510)
School Transport	2,555	2,652	97	0	2,865	97
Grand total	40,234	42,058	1,824	(919)	41,139	906

6.1. The overall Children's Services forecast outturn position is £0.906m overspent.

Children and Family Services

6.2. Placements costs - The key area of risk remains placement support for looked after children and young people subject to child protection plans. Included in the forecast are 10 high cost placements totalling £2.251m.

6.3. The service recently identified £0.728m of savings by moving high cost placements to a lower cost option. However the saving has been reduced by a number of new placements and adjustments totalling £0.623m resulting in a net reduction of £0.105m. Hence there still remains a significant pressure in this area.

6.4. There has been a noticeable increase in the number of sibling groups being looked after by the Authority. There is currently 7 sibling groups of 3 and 4 siblings with 4 in External Fostering. This change has resulted in an increase in the use of Independent Foster Agencies. However 1 sibling group of 2 has recently been adopted reducing the associated costs.

6.5. The budget was based on 288 looked after children. Late in 2019/20 placements increased to 297 and have not decreased since then. Covid-19 is restricting the market with limited placements available and movement of placements limited.

6.6. The below table shows the looked after children across the various placement types and associated estimated cost for the year:

Placement Type	Budgeted number of placements	Jun-20 Actual number of placements	Variance	20/21 Revised Budget	Forecast Jun-20	Variance
				£000	£000	£000
Placed with Parent/Prison	5	7	2	0	0	0
Internal Fostering	134	117	(17)	2,485	2,418	(67)
Supported Accommodation	31	29	(2)	820	668	(152)
External Fostering	94	116	22	3,908	5,149	1,241
External Residential	24	29	5	4,167	4,680	513
Secure Placement	0	1	1	0	126	126
Total	288	299	11	11,380	13,041	1,661

6.7. The Directorate is planning a number of actions to address the projected deficit. These need to be considered in the context of Covid-19 which has restricted the range of actions available. This will include:

- An immediate review of all high cost placements with an annual cost of £0.130m
- A review of the engagement of the Families Together Team in respect of children who have become looked after in February/March to consider the level of engagement at this time with the families and identify further actions to address as Covid-19 restrictions lift.

6.8. It is felt prudent at this time to not reflect this in the forecast as lockdown may lead to further issues for a number of families perhaps not yet known to social care. This could lead to them requiring even a short term spell within a care setting to enable stabilisation of the family unit and this increase in referrals is expected to coincide with the new academic year.

6.9. The Brighter Futures - Prevention Service are reporting an underspend of £0.153m primarily as a result of additional Troubled Families grant and a reduction in costs across the service.

6.10. The number of agency staff continue to decrease with 27 FTE agency workers engaged as at 30th June. The remaining agency costs can be contained within budget.

Learning and Universal Outcomes

6.11. The service are reporting a projected underspend of £0.585m; through delays in filling vacant posts, the non-recruitment to vacant posts, reduction in FTE's and non-enrolment in the Superannuation scheme.

Home to School Transport

- 6.12. A significant risk is Home to School Transport due to Covid-19 and the continued increase in demand for service. Initial projections, based on invoices paid to date, show a potential overspend of £0.097m. This forecast reflects the impact of Covid-19 and delays in the achievement of proposed savings from September in 2020/21.
- 6.13. Discussions are ongoing to validate the summer term costs and to understand the likely financial implications arising from COVID-19 from September when all children return to school.

Corporate Covid-19 Position – Children’s Services

- 6.14. Income shortfall attributable to Covid-19:

Service area	£'000
Education Services	(351)
Nursery Income	(169)
Music Service Income	(175)
Adult College Income	(108)
Grangewaters Income	(117)
Total	(919)

- 6.15. Thurrock Adult College are reporting an overspend of £0.108m as a result of a shortfall in income from student fees due to Covid-19.
- 6.16. Both of the day nurseries, Neptune and Little Pirates are reporting a combined overspend of £0.169m due to costs that have exceeded the income. The impact of Covid-19 and reduced take up that has only allowed provision for children of key workers has placed a significant impact on fee earning income.
- 6.17. The Music Service are reporting an overspend of £0.060m, the overspend is due to a shortfall in income as a result of Covid-19.
- 6.18. Costs incurred by the directorate which are attributable to the Covid-19 grant allocation are detailed below:

Covid-19 Direct Response	£'000
Increase in Child Protection referrals	250
Delayed Care Proceedings	242
Head Start Housing	341
Schools Transport	293
Other	28
Total	1,129

- 6.19. The position continues to be monitored and there remains potential for additional financial risk arising from further increases in placements and

schools transport (depending on application of the regulations in forthcoming school year).

- 6.20. Increased Head Start Housing costs have resulted from the increased use of properties required for young adults who required Shielding.

7. Environment, Highways & Counter Fraud

Directorate Outturn position

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£'000	£'000	£'000	£'000	£'000	£'000
Highways, Fleet & Logistics	9,091	9,173	82	(130)	9,043	(48)
Environment & Highways	1,434	1,221	(213)	0	1,221	(213)
Street Scene & Leisure	19,619	19,953	334	(69)	19,884	265
Emergency Planning & Resilience	430	426	(4)	0	426	(4)
Counter Fraud	90	459	369	(369)	90	0
Total	30,664	31,232	568	(568)	30,664	0

- 7.1. After adjustment is made to account for the income losses anticipated as a result of the lockdown period, the directorate is forecasting a breakeven position.

Counter Fraud & Enforcement

- 7.2. The Fraud team are forecasting an online position. The Traded Services income for the team has been forecast to budget based on external work that has been agreed with MHCLG to review the financial support that has been awarded to local businesses during the lockdown period. This income is currently forecast to support delivery of the budgeted position but continues to be monitored regularly with the team.
- 7.3. The Enforcement and Public Protection subservice forecast income losses of £0.369m which has been allocated against the Covid-19 funding leaving the service projecting a breakeven position against their base budget. This arises as the service managed vacant posts for the first quarter of the year.

Highways, Fleet & Logistics

- 7.4. The forecast lost income for Highways Permits, MOT fees and Records Management fees is £0.130m and this has been offset by the Covid-19 funding.
- 7.5. The overall remaining position is a net underspend. The service continues to manage vacant posts to offset pressures arising.

Street, Scene & Leisure

- 7.6. There is a risk linked to Impulse Leisure and their ability to continue to deliver their leisure services as a result of the social distancing measures and current government guidance. Although no formal decision has been made regarding this area and what the full financial impact will be on the authority, the outstanding water bills are likely to cause an issue to the value of £0.190m and these are reflected in the directorate position.
- 7.7. Waste services are forecasting risk against their allocated budget as there remains a variable cost per tonne element within the contract and also an increase in demand in the first quarter of approximately 500 tonnes per month. This will need to be closely monitored when new rates are released on a quarterly basis.

Corporate Covid-19 position – Environment & Highways

- 7.8. The loss of income is based on the experience to date and has then been projected in conjunction with the service to reflect the expectations in light of the easing of lockdown restrictions and the wider economic impacts.

Income shortfall	£'000
Highways permits	100
Parking related income	348
Trade Waste	69
Other	51
Total	568

- 7.9. Additional costs as a result of Covid-19 emergency response:

Covid-19 Direct Response	£'000
HWRC - Traffic Management	192
PPE	298
Other	72
Total	562

8. Place

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£000's	£000's	£000's	£000's	£000's	£000's
Delivery & Strategy	580	740	160	(160)	580	0
Economic Development	524	723	199	(199)	524	0
Lower Thames Crossing & Transport Infrastructure	141	141	0	0	141	0
Place Delivery	341	379	38	0	379	38
Planning Delivery Fund	0	0	0	0	0	0
Planning, Transport & Public Protection	3,719	4,385	666	(500)	3,885	166
Total	5,305	6,368	1,063	(859)	5,509	204

8.1. The Place directorate forecast variance at period 3 is £0.204m overspent.

Delivery & Strategy

8.2. The service is forecasting contain costs within their existing budget allocation excluding the impact of Covid-19 on incomes streams as set out below.

Economic Development

8.3. The key impact in term of lost income has been the closure of the Thameside theatre due to the pandemic. They are currently forecasting a loss of £0.199m of this year's income based on the assumption that the Theatre will not be reopening for the pantomime season. This continues to be monitored and there is potential further risk. The income losses are currently being logged against the Covid-19 funding and excluding this the service is forecasting a breakeven position for the year.

Place Delivery

8.4. The Regeneration team is forecasting to overspend by £0.038m. This is due to the difference in cost between agency staff and the budget for the Regeneration Managers posts. The service intend to explore the option of capitalising appropriate staffing costs against capital schemes but these schemes need to progress further before any adjustment can be made.

Planning, Transportation & Public Protection

8.5. Development Management income losses are considered to be a Covid-19 related pressure and are set out in the table below. Once these are excluded the service is forecasting an overspend position of £0.166m which is largely due to the agency staffing provision within Environment Protection.

Planning Delivery Fund

- 8.6. The Planning Delivery Fund is money that is being held as part of a partnership arrangement across seven local authorities. The seven local authorities are Basildon, Brentwood, Castlepoint, Essex, Rochford, Southend-on-Sea and Thurrock. The money is due to be spent across these local authority areas.
- 8.7. This funding was carried forward from 2019/20 to be spent in 2020/21.

Corporate Covid-19 position – Place

- 8.8. Income shortfall:

Income Shortfall	£'000
Land Search Fees	161
Theatre	199
Licencing	67
Public Protection	10
Planning Fees	423
Total	860

- 8.9. Development Management are projecting reduced planning income of £0.423m, i.e. approximately 42% based on decreased demand due to the current market uncertainty. Both Licencing and Environmental Protection have forecast a 25% reduction income i.e. £67k & £10k respectively based on decreased demand to date.
- 8.10. The additional costs incurred as a result of the Covid-19 response is £0.279m to support the amended timetables for local bus routes and other transport services.

9. Finance, Governance & Property

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£000's	£000's	£000's	£000's	£000's	£000's
Cashiers	65	65	0		65	0
Chief Executive	363	400	37		400	37
Corporate Finance	2,415	2,493	78		2,493	78
Democratic Services	234	207	(27)		207	(27)
Electoral Services	506	331	(175)		331	(175)
ICT	3,553	3,623	70		3,623	70
Legal Services	1,899	1,864	(35)		1,864	(35)
Members Services	753	799	46		799	46
Revenue and Benefits	2,295	2,274	(21)		2,274	(21)
Property	5,416	6,286	870	(870)	5,416	0
Total	17,500	18,342	843	(870)	17,472	(28)

ICT

- 9.1. Due to the acceleration to the agile working programme a number of ICT expenses have been incurred sooner than anticipated and these have been treated as a Covid-19 related expense and detailed further in the below sections.
- 9.2. Archiving costs related to Oracle R12 have been appropriately capitalised and the use of capital receipts has supported the ongoing transformation of the finance and HR systems, reducing the impact on the revenue position.
- 9.3. There remains a £0.050m traded services income pressure that will need to be revisited as part of the wider commercial income targets following the pandemic.

Electoral & Members services

- 9.4. This is a non-election year so the under spend is expected, this underspend will be utilised to offset the over spend in the members budget related to the rebasing of members allowances. This will need to be addressed as part of the budget setting process for 2021/22.

Property Services

- 9.5. Services and staff managed by Apleona came back under local authority management from 1 April and this has produced a saving of £0.130m. There are some additional staff allowances as part of the TUPE transfer and security staff overtime which means the full £0.157m saving target will not be achieved.

- 9.6. The Asset Management team are forecasting to underspend by £0.094m this is a result of the Assistant Director post being vacant from June. It is assumed no permanent replacement will be appointed this financial year utilisation of the wider management team will continue until the end of the year.
- 9.7. The Corporate Landlord is forecasting to overspend by £0.077m. This is due to the expected loss of income from Thameside, Community Halls and Children's Centres.
- 9.8. A number of buildings have transferred to the Corporate Landlord area with limited budgets in comparison to the expected support from services; examples include Collins House, Meals on Wheels, Oaktree Resource Centre, Aveley Hub and Centurion House. Any costs in these buildings will potentially further increase the pressure on the budget but there may be opportunity to utilise capital funding to offset these pressures.

Corporate Covid-19 position – Finance, Governance & Property

- 9.9. Land and Buildings are currently forecasting income losses of £0.870m based on the assumption that General Fund & Commercial properties will generate 65% and 70% respectively of the budgeted income based on an expectation of reopening by September 2020. The commercial property in Purfleet is currently forecast to generate 85% of their income as the impact of the pandemic has had less impact on their commercial operations.
- 9.10. Costs incurred against Covid-19 fund:

Covid-19 Direct Response	£000
Additional IT equipment	340
Other	32
Total	372

10. Housing General Fund

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£000's	£000's	£000's	£000's	£000's	£000's
Homelessness	1,387	1,387			1,387	0
Private Sector Housing	212	305	93	(93)	212	0
Travellers	53	53	0		53	0
Total	1,652	1,745	93	(93)	1,652	0

- 10.1. The Housing General Fund financial outturn is projected to be delivered within the agreed budget level.
- 10.2. In light of the current climate, it is anticipated that the second half of the financial year will be vastly different to the first two quarters as activity in areas that have been prohibited as a result of government intervention return to normal levels.

Homelessness

- 10.3. Whilst the first two periods of the financial year has seen some stability in the number of people presenting themselves as homeless, this trend is unlikely to continue throughout the remainder of the financial year.
- 10.4. One of the major routes into homelessness is as a result of landlords imposing eviction measures. These measures are currently on hold until the 23 August 2020. The concern is that once these actions can commence there will be an increase the number of households presenting as homeless. In addition as the wider economic impacts of the pandemic are felt this may further increase pressure on the service and hence there is a forecast pressure in this area.

Private Sector Housing

- 10.5. The private sector housing service has an income requirement to achieve circa 50% of its overall net costs built into the base budget. One of the key income streams is arises via inspections of privately let accommodation. Social distancing measure have meant a restriction in the level of work permitted, which will have a directly detrimental effect on the overall budget position.

Traveller's sites

- 10.6. Following a detailed review and realignment of the 2020/21 budget it is forecast that the service will break even at the end of the financial year.

Corporate Covid-19 position – Housing General Fund

- 10.7. With regards to the Covid-19 impact, there were 32 people identified as rough sleepers who have been housed in short term emergency accommodation since the onset of the pandemic. The average cost of this is in the region of £70 per day, per person, for this level of short term temporary accommodation. The full year effect of this is reflected in the level of anticipated spend in the corporate forecast at £0.818m, but the service are reviewing this cohort of people to find alternative, longer term housing

solutions. There is a varying degree of need, vulnerability and suitable accommodation provision across the demographic, ranging from the ability to place people in HMO's through to supported accommodation placements.

- 10.8. There is a further expectation that an increase in the caseload of the homelessness service is likely to arise later in the year as the wider economic impacts of the pandemic are felt and protections against eviction are removed for tenants. An estimated increase in associated costs of £0.100m is forecast currently but there is additional risk currently estimated of up to a further £0.400m.

11. Strategy, Communications & Customer Service

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£000's	£000's	£000's	£000's	£000's	£000's
Corporate Communications	514	515	1		515	1
Customer Services	1,132	1,036	(96)	(91)	945	(187)
Social Care Performance	1,209	1,165	(44)		1,165	(44)
Strategy Team	320	315	(4)		315	(4)
	3,175	3,031	(144)	(91)	2,940	(235)

- 11.1. The overall Strategy, Communications and PQBS directorate forecast variance at period 2 is £0.235m underspend.
- 11.2. Customer Services is forecast to be underspent by £0.187m once the loss of income anticipated for the Registrars service is adjusted for.
- 11.3. The wider underspend is due to vacant posts across a number of the services and the tight management of resources overall. Any decisions regarding the reinstatement of face-to-face services may result in changes to the financial position but the option to redeploy staff will be reviewed.

Corporate Covid-19 position – Strategy, Communications & Customer Service

- 11.4. There is anticipated loss of income to the value of £0.091m the registrars service due to the impact of Covid-19 on marriage ceremonies, this has led to a total loss of income for the first quarter and an 80% forecast of expected income for the rest of the year.
- 11.5. The methodology for the registrars forecast will continue to be reviewed and revised in line with government advice on Covid-19/Lockdown easing and customer behaviour.

12. HR, OD & Transformation

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£000's	£000's	£000's	£000's	£000's	£000's
HR OD Team	4,251	4,232	(19)		4,232	(19)
Occupational Health & Counselling	132	120	(12)		120	(12)
Corporate Training & Development Budget	180	180	0		180	0
Information Management	581	613	32		613	32
Total	5,145	5,145	0		5,145	0

12.1. The Directorate continue to manage their staffing levels to contain any pressures within their base budget allocation. As in previous years capitalisation of staff will be made where appropriate capital projects and resources are identified.

13. Treasury & Financing

13.1. The position is set out below:

Service	Revised budget	Forecast Outturn	Directorate Outturn Variance	Income adjustment	Adjusted forecast	Reported month 3 variance
	£000's	£000's	£000's	£000's	£000's	£000's
Interest Payable	16,394	16,394	0	0	0	0
Interest Receivable	(47,847)	(44,367)	3,480	0	3,480	3,480
Minimum Revenue Provision	8,858	8,858	0	0	0	0
Total	(22,595)	(19,564)	3,480	0	3,480	3,480

13.2. The reported position reflects a pause to the investment strategy while members consider to reflect on the corporate priorities in response to Covid-19. Consequently there is a projected income deficit of £3.480m.

13.3. The Council has taken action to stabilise cash-flow in light of increased demands arising from the response to the pandemic. The Council projects to utilise increased PWLB funding in 2020/21 which has a higher associate interest rate than borrowing in the local authority market – this source of funding has become less available as the pandemic has evolved. This is projected to be £0.625m in 2020/21 and has been reflected in the Covid-19 costs.

Housing Revenue Account

13.4. Overall, the HRA is forecasting a balanced position at the end of financial year. Expenditure within this service is more manageable in certain respects as activity levels can be adjusted accordingly, to remain within financial constraints. However, as the full impact of Covid-19 starts to become identified action is likely to be required to contain adverse financial impacts within its allocated level of resources.

13.5. The overall forecast position on the HRA is shown below:

Service	Revised budget	Budgeted Forecast Outturn	Directorate Outturn Variance	Covid-19 Impact	Overall Forecast Outturn	Overall Variance
	£000's	£000's	£000's	£000's	£000's	£000's
Development	217	217	0	0	217	0
Financing and Recharges	24,813	24,813	0	0	24,813	0
Rent and Income	(50,254)	(49,534)	720	720	(49,534)	720
Repairs and Maintenance	12,021	11,866	(155)	0	11,866	(155)
Operations and Management	13,203	12,638	(565)	0	12,638	(565)
Total	0	0	0	720	0	0

13.6. The economic impact of the pandemic is being seen to have a direct adverse financial impact on the HRA. There have been documented reports of significant increases to levels of unemployment within the borough, which will affect both existing tenants and the number of people requiring social housing. This is reflected in the table above to demonstrate a forecast loss related to expected increases in the level of bad debts relating to existing rents.

13.7. In addition, there has been a delay in hand over time of the new build properties at Topps Club and Claudian way. Therefore the anticipated reduction in the level of rent and service charge has been reflected.

13.8. There are currently a number of vacant posts across the directorate which will mitigate the in-year impact of reduced income levels and the requirement to increase the bad debt provision (as more tenants move across to universal credit).

Dedicated Schools Grant

13.9. The 2019/20 outturn position along with the latest sector information available has been considered to support the forecast outturn position. This information will be subject to changes at the start of the academic year once the movement in school places is confirmed.

13.10. The table below reflects the updated DSG allocation for 2020/21. Current projections indicate pressures of £0.705m which are broken down below.

DSG 2020/21	<u>Funding</u>	<u>Academy</u>	<u>Final</u>	<u>Outturn</u>	<u>Variance</u>
	<u>Settlement</u>	<u>Recoupment</u>	<u>DSG</u>		
	£'000	£'000	£'000	£'000	£'000
Schools	126,839	(118,734)	8,105	7,327	(778)
Central Services	1,850	0	1,850	1,814	(36)
High Needs	26,118	(5,334)	20,784	22,303	1,519
Early Years	12,463	0	12,463	12,463	0
Total	167,270	(124,068)	43,202	43,907	705

Schools Block

13.11. The growth fund allows officers to ensure sufficiency of places within Thurrock schools for all children of school age. Based on current commitments and historic level of spend there is a forecast underspend of £0.778m.

High Needs Block

13.12. This is the significant area of financial risk and the areas of concern are:

- The number of EHCPs continues to increase incurring projected additional costs of £0.250m to maintain pupils in mainstream schools and academies.
- There are increased pupil numbers forecast for post-16 provision which creates additional costs of £0.369m.
- Residential non-Maintained and Independent placements. There is a forecast overspend of £0.873m against a budget of £2.2m for residential non maintained and independent placements. This arises from a lack of local capacity meaning high costs placements are sought outside the borough. This will start to be addressed as additional places become available at Treetops.
- Pupils not in School – data is now available to enable forecasting for the year ahead and there is a projected overspend of £0.159m. This is subject to a review of contract arrangements and seeking more cost effective options.

13.13. A review of the local offer and commissioned places available in Thurrock continues. The need to challenge schools on the use of the Notional SEN budget and the requirement to progress to an EHCP remains.

DSG Reserve

13.14. The DSG has a carried forward deficit of £1.978m into 2020/21. A 3 year deficit recovery plan will be agreed with the Education Funding Authority (this has been delayed until September as a result of Covid-19). While the DSG reserve is not currently forecast to reduce in the current year (given the position on the high needs block outlined above, this will increase to £2.683m) further actions will be taken to mitigate costs where possible.

Public Health

13.15. The Public Health Grant increased by £0.735m in 2020/21 with the full allocation for the year being £11.485m. The increase has been allocated to inflationary increases against existing contracts with external health providers in line with the national Agenda for Change (AFC) and consequently the grant is allocated in full.

13.16. The Public Health Grant distribution focuses on key areas of delivery including drug and alcohol, sexual health and Healthy Families. Within these contracts there is no demand exceeding the budget allocation at this stage, each contract is continuously monitored and reviewed by the service in line with GP practices and health care providers as the service continues to operate within the ring fenced grant conditions.

13.17. There are no adverse financial implications at present as a result of the Covid-19 pandemic, which is being dealt with as part of the track and trace programme detailed below:

13.18. Test and Trace

On 22 May 2020, the UK Government announced its expectation that every top tier local authority would create a Local Outbreak Control Plan by the end of June 2020.

The seven key themes are as follows:

1. Planning for local outbreaks in care homes;
2. Identifying and managing outbreaks in high risk places, locations and communities;
3. Identifying methods for local testing capacity;
4. Contact tracing in complex settings;
5. National and local data integration including local surveillance and monitoring of outbreaks;

6. Supporting vulnerable local people to self-isolate; and

7. Establishing governance structures including a local DPH led Health Protection Board and elected member led Engagement Board.

13.19. Thurrock Council has been awarded a central government grant to the value of £1.052m to develop and implement its plan, including local testing and contact tracing arrangements.

14. Reasons for Recommendation

14.1. The Council has a statutory requirement to set a balanced budget annually. This report sets out the budget pressures in 2020/21 along with actions to mitigate these pressures and deliver a breakeven position.

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

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

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

16.1. 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.

17. Implications

17.1. 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.

17.2. Legal

Implications verified by: **Ian Hunt**

**Assistant Director Law and Governance, and
Monitoring Officer**

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. 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.

17.3. Diversity and Equality

Implications verified by: **Natalie Smith**

**Community Development and Equalities
Manager**

The Equality Act 2010 places a public duty on authorities to consider the impact of proposals on people with protected characteristics so that positive or negative impacts can be understood and enhanced or mitigated as appropriate. Services will be required to consider the impact on any proposals to reduce service levels through a community equality impact assessment which should seek to involve those directly affected.

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

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

18. 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.

19. Appendices to the report

- Medium Term Financial Strategy

Report Author

Sean Clark

Director of Finance, Governance and Property

Appendix 1 – Medium Term Financial Strategy

Narrative	2021/22	2022/23	2023/24	2024/25
	£ 000's	£ 000's	£ 000's	£ 000's
1. Local Funding				
Council Tax Base / Charge	(1,740)	(1,500)	(1,500)	(1,500)
Adjustment for Increase in LCTS	1,541	(250)	(250)	(250)
Council Tax - Collection Fund Deficit b/f	1,403	0	0	(1,403)
	1,204	(1,750)	(1,750)	(3,153)
Business Rates Precept	(500)	(665)	(665)	(665)
Business Rates - collection fund deficit	275	0	0	(275)
	(225)	(665)	(665)	(940)
2. Total Government Resources				
Revenue Support Grant	6,806	0	0	0
Transfer to funding formula under 75% retention	(6,806)	0	0	0
New Homes Bonus	527	491	289	0
HB Admin	283	0	0	0
	810	491	289	0
Net Additional (Reduction) in resources	1,789	(1,924)	(2,126)	(4,093)
3. Inflation and other increases				
	5,714	4,515	4,665	4,762
4. Treasury				
Existing Treasury Inflation Costs	5,223	2,500	2,065	0
MRP	308	32		
2020/21 ongoing borrowing rate change	650			
Treasury and Capital Financing	6,181	2,532	2,065	0
6. Corporate Growth				
Adults	2,500	1,000	1,000	1,000
Children's	1,814	1,314	1,314	1,314
	4,314	2,314	2,314	2,314
8. Commercial - Reduction in Fees and charges @ 20%	1,320	0	0	500
C/f Position	0	0	0	0
Working Total	19,318	7,437	6,918	3,483