13 June 2018	ITEM: 13
Cabinet	
2017/18 Financial Outturn Report	
Wards and communities affected: All	**Key Decision:** No
Report of: Councillor Shane Hebb, Deputy Leader and Portfolio Holder for Finance	
Accountable Head of Service: Not Applicable	
Accountable Director: Sean Clark, Director of Finance and IT	
This report is Public	

Executive Summary

The 2017/18 financial year saw Thurrock Council achieve, for the first time, four years self-sufficiency which means a balanced budget up until after the 2021/22 municipal year.

Furthermore, over the course of the 2016/17 and 2017/18 municipal years, the council increased its General Fund Balance by 38%, from £8m to £11m. The Housing Revenue Account Balance has been maintained at £2.175m.

Services continue to be protected and Members now have greater choice in what service changes are made. Service Reviews remain a critical component of the self-sufficiency agenda; as well as providing an ability to improve the quality of the services that council provide.

The council has benefited from a recent history of prudent financial management to meet the financial challenges arising that have predominantly related to demand-led social care pressures and additional investment within Environmental Services. Mitigation has included managing demand, further income generation, improving efficiency and reducing non-essential spend. These challenges have been achieved while continuing to support local communities by delivering services in more efficient and innovative ways.

This report provides a high level summary on the outturn for 2017/18 for the General Fund, Housing Revenue Account and Capital.

In summary, expenditure has been achieved within the overall budget envelope and enabled an increase to balances to mitigate future risk.

1. Recommendations

That the Cabinet:

1.1 Note that the General Fund net expenditure has been met within the overall budget envelope and the General Fund Balance has been increased by £3.000m to £11.000m;

1.2 Note that the balance on the Housing Revenue Account Reserve has been maintained at £2.175m; and

1.3 Note that there was a total of £377.258m in capital expenditure and some of the key projects have been set out in section 5.

2. Introduction and Background

2.1 Members have received finance reports throughout the year. The month 9 report showed that the council still had a deficit of £0.223m due to pressures in Children's Social Care and Environment & Highways. These pressures have been fully mitigated by further improvements to the council's treasury and MRP position and savings within the support service Directorates. These pressures were all recognised within the budget setting for 2018/19 with additional funding being allocated to each. Through this, the council has increased the General Fund balance to £11m.

2.2 The table below summarises the outturn position in line with financial reporting requirements, including the movement in reserves, and the prior year position to allow year on year comparison.

Net expenditure chargeable to the GF and HRA balances

2016/17 £000	Directorate	2017/18 £000
35,118	Adults; Housing and Health	35,351
37,687	Children's Services	37,471
644	Commercial Services	488
18,085	Environment and Highways	20,813
4,716	Place	4,681
9,333	Finance, IT and Legal	9,449
2,974	HR; OD and Transformation	3,446
3,664	Schools	3,751
2,034	Corporate Costs	1,723
2,311	Corporate Strategy & Communications	2,285
116,566	**Net Cost of General Fund Services**	**119,458**
(5,012)	Housing Revenue Account	(1,878)
111,554	**Net Cost of Services**	**117,580**
(111,997)	Other Income & Expenditure	(120,970)
(442)	**(Surplus)/Deficit**	**(3,390)**

(18,139)	Opening General Fund and HRA Balance	(18,581)
(442)	(Surplus)/Deficit in year (per table above)	(3,390)
(18,581)	Closing General Fund and HRA Balance	(21,971)

2.3 The table above shows the total opening and closing usable reserves of the council. This can be misleading as a number of reserves are for specific use and those relating to schools include the end of year balances specific to individual maintained schools.

2.4 The table below sets out the councils reserves by category:

31-Mar-17 £000	Reserve Category	31-Mar-18 £000
(1,430)	Education and Schools	2,193
(1,248)	Adults, Community and Health	(1,867)
(112)	Grant Carried Forward	(200)
(1,024)	Other Earmarked Reserves	(2,453)
(8,000)	General Fund Balance	(11,000)
(6,766)	HRA Related	(8,644)
(18,581)	**TOTAL**	**(21,971)**

- Education and Schools – Primarily individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use. This reflects the current deficit DSG position;
- Adults, Community and Health – Primarily Public Health grant and Better Care fund which are ring-fenced for specific use;
- Grant carried forward – ring-fenced grant allocations for specific use as per grant conditions;
- Other earmarked reserves – captures all other earmarked reserves including ring-fenced accounts such as building control, planning and salix. Also includes allocation for transformation activity;
- The General Fund Balance – the balance maintained to protect the council from unmitigated budget pressures; and
- HRA Related – a balance of £2.175m to protect the council from unmitigated budget pressures, Development Reserve of £4.3m, £1.3m Housing Zone funding and Major Repairs Reserve of £0.8m.

3.0 Front Line Service Commentary

3.1 <u>Adults, Housing & Health</u>

3.1.1 Adult Social Care has managed significant pressures throughout the year. One of the major contributing factors has been the fragility of the care market – especially domiciliary care. Despite extra funding being invested into services to strengthen the Domiciliary care market, this area has remained under considerable pressure. Over the past two years several domiciliary care contracts have been handed back to the Council by external service providers adding additional costs to our in house services.

3.1.2 Demand for residential placements, especially for people with Learning Disabilities, autism and challenging behaviours, adds additional pressure. This is a highly volatile area working with a cohort of people with varying levels of complex need. Packages are based on individual care needs and outcomes and so can be very expensive and, in many cases, require additional levels of one to one support.

3.1.3 Mitigation has included increasing the amount of early intervention and prevention e.g. through initiatives such as the Local Area Coordinators, utilising the Adult Social Care support grant, working closely with the council's health partners and reviewing and renegotiating packages where possible. Demand and complexity of cases remains a key issue going forward.

3.1.4 The level of temporary accommodation placements has increased but has been managed through underspends within private sector housing. This will continue to be monitored closely through 2018/19.

3.2 Children's Services

3.2.1 Children's Services continues to operate in a volatile demand led environment. As reported throughout the year, work has been ongoing to manage pressures within social care including the review and re-commissioning of placement provision, changes to accommodation in aftercare and the continued reduction of agency staff.

3.2.2 Overall, the number of children in care has reduced, and high cost placement numbers continue to show a reducing trend but the changing mix of placement type has impacted the position. In the second half of the year there were a small number of very high cost complex needs cases that added to the pressure on the budget.

3.2.3 Spend on unaccompanied asylum seeking children reduced in 2017/18 following the introduction of the Eastern Regional Protocol. This brought placement numbers down considerably to between 30 and 35 from the previous peak of 103.

3.3 Environment and Highways

3.3.1 Presentation of the borough is vitally important to attract the level of planned development and growth required, this has been reflected in the investment in the service in both 2017/18 and 2018/19. Increased growth brings increased service demands in all of the universal service areas, including waste collection and disposal.

3.3.2 Pressures within Environment and Highways have been reported throughout the year. The most significant pressure was, and continues to be, within waste disposal due to additional contract extension costs and a higher cost of disposal due to increasing waste tonnages and reduced recycling, which is being reported nationally. This has been impacted by the Household Waste Recycling Centre (HWRC) moving back in house following no external interest in the contract. Actions to mitigate the ongoing impact continue with the redevelopment of the site, the introduction of a commercial trade waste service and the introduction of a permitting scheme to reduce trade waste entering the site.

3.3.3 Ageing vehicles working beyond their life expectancy led to pressure in year with increased vehicle hire costs, fuel costs and wear and tear. With the roll out of the new fleet it is expected that this will reduce in 2018/19. The winter gritting season saw demand for gritting increase on previous years and significant snow fall at the end of the financial year led to unbudgeted spend on grit, the first year in many when stocks have had to be replenished, and staff time.

3.3.4 Significant savings were applied to the Highways budget in respect of the street lighting LED replacement project. Whilst the majority of the savings were achieved, the service did incur budget pressures due to one-off maintenance requirements. There was also pressure within parking income and public transport services which are not expected to impact 2018/19.

3.3.5 Trade waste performed well delivering a strong income position ahead of budget.

3.4 Place

3.4.1 There has been strong income performance with commercial rents and fees and charges exceeding expectation. This has helped offset wider service pressures. The Theatre performed well and delivered a self-financing position in year.

3.4.2 The ongoing programme of lease renewals could result in pressures for some tenants and impact on the potential of achieving the rental income target. Across the Council's capital programme there have been pressures on construction costs that might impact on spend profiles for 2018/19. Traded services element of Planning and Public Protection continue to perform well and further opportunities are being explored.

3.5 Dedicated Schools Grant (DSG)

3.5.1 Nationally, all local authorities and the education system are struggling with meeting the additional demand for payments in support of children with Statements/Education and Health Care (EHC) plans; out of borough payments; independent special school residential payments and special educational needs and disabilities SEN(D) top up payments. Overspends and reduced payments to schools are common across the country.

3.5.2 The DSG outturn for 2017/18 is an over spend of £2.702m which equates to 2% of the total DSG budget. Within the Early Years block, there is a reported underspend on 2 year old funding and slight overspend on 3 and 4 year old expenditure in support of children's growth in numbers.

3.5.3 With the ongoing pressure within the DSG, a sub group of the schools forum was established to review expenditure and budget pressure areas, including statutory returns and statistical benchmarking data analysis to assist in the DSG Recovery Plan. The group has met 6 times during the year and agreed a recovery plan that will recover funds going forward already received by the schools in prior years. The 2016/17 deficit of £1.343m will be recovered via the 2018/19 allocation utilising underspends from the Early Years block for this financial year (2017/18). The 2018/19 deficit will be recovered through allocations in 2019/20 and 2020/21 as well as virements from other blocks. A model is being designed to control high needs expenditure through a "capping system" which has been developed in collaboration with schools and colleges.

3.5.4 In addition, Head Teachers are working with the local authority to develop an innovative hub and spoke model of provision for children at risk of exclusion and in need of alternative provision. The model will ensure that children in need of additional support are contained within mainstream school provision. This collaborative approach will ensure better outcomes for the children concerned with fewer being moved out of the authority to high cost provision and increased transport costs. This will support the overall strategy to reduce the spend in this area.

3.6 Other Income & Expenditure

3.6.1 The council's decision to follow an investment approach has yielded additional returns in 2017/18 which has enabled greater investment in services and improved the level of useable reserves. In addition to this, applying an innovative change to the calculation of the Minimum Revenue Provision (MRP) has provided a one-off use of non-usable reserves enabling an increase to General Fund balances.

4.0 Housing Revenue Account

4.1 The HRA balance has been maintained at £2.175m. As reported throughout the year, the main pressure was within revenue repairs which has been mitigated by underspends within Housing Operations following the introduction of a revised staffing structure.

4.2 A contribution to the Development Reserve has been made in order to ensure the current New Build Programme can be financed and completed in 2019/20. This contribution is equivalent to the difference between the budgeted interest charge and the actual charge following planned works now taking place in 2018/19.

4.3 An element of the Transforming Homes planned works have been reprogrammed into 2018/19 and will be delivered under the new contract arrangements. The balance on the Major Repairs Reserve at the end of 2017/18 will be utilised in 2018/19. Over £0.750m was spent on extra fire safety measures following on from the Grenfell fire tragedy.

4.4 During the year some new service charges were introduced (e.g. existing sheltered tenants) bringing in extra revenue to the HRA, however, Cabinet deferred and then withdrew the proposed service charge for Grounds Maintenance.

5.0 Capital Programme

5.1 Total capital expenditure for 2017/18 amounted to £377.258m. A summary of this expenditure analysed by service, is set out below and also shows the source of financing.

Service	**Budget £000s**	**Total £000s**	**Variance £000s**
Adults; Housing and Health	1,534	1,216	(318)
Children's Services	3,007	2,008	(999)
Environment and Highways	13,509	10,853	(2,656)
Finance and Information Technology	326,859	325,400	(1,459)
Housing General Fund	73	24	(49)
Housing Revenue Account	13,673	13,125	(548)
HR; OD & Transformation	2,741	1,181	(1,560)
Corporate Strategy & Communications	45	5	(40)
Place	26,642	23,446	(3,196)
Total	**388,083**	**377,258**	**(10,825)**

Source of Finance	**Budget £000s**	**Total £000s**	**Variance £000s**
Prudential Borrowing	346,084	336,773	(9,311)
Usable Capital Receipts	2,182	2,011	(172)
Earmarked Usable Capital Receipts	420	494	74
Major Repairs Reserve	11,800	11,174	(626)
Grants	6,835	5,283	(1,553)
Other Grants	18,490	20,114	1,624
Developers Contributions	2,164	1,379	(785)
Revenue Contribution to Capital	0	18	18
Reserves	107	12	(95)
Total	**388,083**	**377,258**	**(10,825)**

5.2 The capital outturn position includes the delivery of the following projects in 2017/18:

- £324.3m spent on long term investments which are classified as capital expenditure as the associated bonds purchased fund the acquisition of capital assets

- £11.6m spent on transforming council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs. In addition the alarm call monitoring system, based at Harty Close was replaced.

- Completion of the “Olive Academy” School in Tilbury, with a gross-spend of £4.8m over the period 2015/16 to 2017/18.

- Completion of expansion works to Somers Heath Primary School in South Ockendon, with a gross spend of £2.3m over the period 2015/16 to 2017/18.

- £23.3m spent on improvements to the highways infrastructure, including replacing street lighting with LED lighting, design, land acquisition, land clearance costs for the widening of the A13 between Orsett Cock and Manorway interchanges, further improvement works to Oliver Road in West Thurrock, completion of one way traffic on Towers Road (Globe estate), Lodge Lane safety improvements and works to the Thurrock cycle network.

- £1.2m spent on the improvements to Belhus Leisure Centre

- Works in progress - During the year a number of projects commenced which are expected to be completed during the current or next financial year.

5.3 As at 31 March 2018, the Council had authorised expenditure in future years of £11.2m. In addition a further £184.3m had been previously authorised for use in 2018/19 and 2019/20, giving a total future years’ commitment of £195.5m.

5.4 This includes:

- £62.7m on widening of the A13;

- £29.3m on housing new build developments;

- £18.8m on school expansions;

- £17.3m on the Purfleet redevelopment;

- £10.7m on improvements to Grays South;
- £5.8m on improvements to Stanford Le Hope rail/bus interchange; and
- £4.4m on improvement works to the Civic Offices.

6. Reasons for Recommendation

6.1 The report presents the financial outturn position for 2017/18. The position will inform the preparation of the financial statements.

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

7.1 There has been no consultation on this report. The figures are a matter of fact.

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

8.1 This report presents the financial outturn for 2017/18 which supported delivery of the council's priorities.

9. Implications

9.1 **Financial**

Implications verified by: **Carl Tomlinson**
Finance Manager

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.

9.2 **Legal**

Implications verified by: **David Lawson**
Deputy Head of Legal and Deputy Monitoring Officer

There are no direct legal implications arising from this report. This report provides an update and allows members to review the management of existing budgets.

9.3 **Diversity and Equality**

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

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

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

- NA

10. Background papers used in preparing the report

11. Appendices to the report

- NA

Report Author:

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