

12 June 2019		ITEM: 10
Cabinet		
2018/19 Financial Outturn Report		
Wards and communities affected: All	Key Decision: No	
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance and Transformation		
Accountable Assistant Director: Jonathan Wilson, Assistant Director of Finance		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is Public		

Executive Summary

The 2018/19 financial year saw Thurrock Council achieve, for the first time, the start of five years self-sufficiency which now means a balanced budget up to, and including, the 2022/23 financial year.

Furthermore, over the course of the 2018/19 municipal year, the Council maintained the General Fund Balance at £11m. The Housing Revenue Account Balance has been maintained at £2.175m.

Members should note that these Balances are arguably the most important reserves a Council holds as they are set aside for unplanned impacts on the budget such as unmitigated over spends, income short falls, etc. These are different from Earmarked Reserves that, by definition, are set aside for planned expenditure and are often restricted to specific terms. As such, the rationale of using these for financial resilience judgements is a flawed approach.

Services continue to be protected and Members continue to have flexibility to identify additional funding for priority areas such as the reduction of anti-social behaviour. 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 meet the ongoing demands 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 build financial resilience and delivering improved services in more efficient and innovative ways.

This report provides a high level summary on the outturn for 2018/19 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 financial risk and ensure capital funding is available to support housing and regeneration programmes.

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 maintained at £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 £65.945m 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 financial reports throughout the year. The month 9 report showed that the Council still had a deficit of £0.35m 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 position and savings within the support service Directorates. These pressures were all recognised within the budget setting for 2019/20 with additional funding being allocated to each. Through this, the Council has maintained the General Fund balance at £11m while increasing reserves to support improvements to services in future periods and ensure financial resilience against planned changes to the funding of local authorities.
- 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

2017/18 £'000	Directorate	2018/19 £'000
35,351	Adults; Housing and Health	38,465
37,471	Children's Services	37,678
488	Commercial Services	650
20,813	Environment and Highways	21,972
4,681	Place	3,798
9,449	Finance, IT and Legal	10,296
3,446	HR; OD and Transformation	3,504
3,751	Schools	-188
1,723	Corporate Costs	2,292
2,285	Corporate Strategy & Communications	2,187
119,458	Net Cost of General Fund Services	120,654
(1,878)	Housing Revenue Account	(2,730)
117,580	Net Cost of Services	117,924
(120,970)	Other Income & Expenditure	(131,169)
(3,390)	(Surplus)/Deficit	(13,245)
(18,581)	Opening General Fund and HRA Balance	(21,971)
(3,390)	(Surplus)/Deficit in year (per table above)	(13,245)
(21,971)	Closing General Fund and HRA Balance	(35,216)

- 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 There has been a lot in the press about financial resilience and how levels of reserves have been reported as a means to determine the resilience of any one authority. Members should be aware of the key points for Thurrock:
- The figures used were the change in reserves, including earmarked reserves, between 1 April 2015 and 31 March 2016. There was an exceptional planned expenditure in this financial year that was circa £13m to exit the Serco contract that resulted in ongoing savings in excess of £3m per annum;
 - Another significant reduction related to the end of year balances of individual schools. These are not usable by Thurrock Council. As more schools transfer to Academy Status, these reserves reduce as the balances are paid over;
 - The main balance that is not earmarked is the General Fund Balance. During the period in question, this stayed stable at £8m but has since been increased by 38% to £11m and subsequently maintained; and

- The position as at 31 March 2019 includes increased reserves for Transformation purposes to further manage costs and a financial resilience reserve of £4m to manage changes relating to accounting, funding and economic factors.

2.5 The table below sets out the Council's reserves by category:

31-Mar-18 £'000	Reserve Category	31-Mar-19 £'000
2,193	Education and Schools	909
(1,867)	Adults, Community and Health	(1,635)
(200)	Grant Carried Forward	(93)
(2,453)	Other Earmarked Reserves	(4,574)
0	Transformation Reserve	(3,450)
0	Financial Resilience Reserve	(4,000)
(11,000)	General Fund Balance	(11,000)
(8,644)	HRA Related	(11,373)
(21,971)	TOTAL	(35,216)

- 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 – this includes identified surplus funding that Members allocated in December 2018. This also captures all other earmarked reserves including ring-fenced accounts such as building control, planning and salix;
- Transformation Reserve – balances set aside to enable specific transformation projects and manage the funding and delivery of these between financial periods;
- Financial Resilience Reserve – This reserve has primarily been established to manage the funding implications associated with the transition into the new system of business rates retention. This anticipates a potential reduction in funding available from historic growth in the system when the business rate baselines are reset alongside wider changes to the system of funding. The reserve also enables wider financial resilience to offset any wider impacts of the introduction of new financial accounting guidance on the treatment of investment balances;

- The General Fund Balance – the balance has been 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. The remaining balance represent the capital reserves supporting existing Council programmes.

3. Front Line Service Commentary

Adults, Housing & Health

Adults Social Care received additional in-year funding from Central Government in an attempt to ease a number of nationally recognised issues related to increased demand for care over the winter period and to further support efforts being undertaken to reduce delayed transfers of care from hospitals.

In conjunction with Health colleagues the Directorate identified and implemented a number of short-term initiatives which increased capacity within the domiciliary care market and improved pathways for patients leaving hospital who require ongoing social care support.

As in previous years, residential placements and support packages for people with learning disabilities, autism, challenging behaviours and mental health issues remained a significant financial risk. The directorate were able to utilise the Adult Social Care Support Grant to partly offset these pressures.

Funds held within the pooled Better Care Fund further supported the directorate in their efforts to stabilise the domiciliary care market following a full tender exercise for the service in 2017-18. This area remains a high risk and requires a new approach to the ways in which the services are delivered to ensure they are sustainable long-term. In the absence of the Social Care Green Paper there is still uncertainty surrounding future funding levels and proposed national reforms to the sector which makes long term planning difficult.

Housing General Fund

The implementation of the Homelessness Reduction Act in April 2018 has brought about significant changes to the delivery of services by the Housing Solutions Team. The requirement to provide homelessness services to everyone who is eligible and considered homeless (regardless of priority need and intentional homelessness) has resulted in considerably more people being provided with assistance and this has had a significant impact on the budget. Additional funding released in the fourth quarter helped mitigate part of this.

Children's Services

In line with the challenging circumstances being experienced nationally, Children's Services faced a number of budget pressures throughout the year.

An ongoing heavy reliance on agency staff continued to have significant impact on the budget alongside the implementation of a new staffing structure which increased caseload capacity amongst social workers.

Services for vulnerable children are demand led by nature and although the number of looked after children reduced, the associated costs remained high due to the ever changing mix of placement tenure. The teams carried out regular reviews of the high cost out of borough placements and recommissioned alternative provision where possible whilst ensuring appropriate outcomes for individuals. Payments for special guardianship, adoption and fostering arrangements were thoroughly reviewed but remained a cost pressure.

The Brighter Futures Board closely monitored the delivery of the Troubled Families Recovery Plan throughout the year and the one-off funding amount was reduced in line with the levels of successful payment-by-results outcomes demonstrated.

School transport pressures have been contained within the overall budget but further ongoing work in this area is required.

Environment and Highways

Environment and Highways received additional investment in 2018/19 in an attempt to support the increase in demand for services across the borough, yet a number of budgetary pressures were still identified and reported on throughout the year.

As in financial year 2017/18, waste collection remained a significant cost pressure for the directorate due to the reliance on agency staff, high fuel costs and the introduction of an additional refuse round.

Action was taken to manage budgets and control spend; this included budget challenge sessions with all budget holders to reduce discretionary spend, a freeze on all non-essential recruitment and an ongoing exercise to review agency personnel and award fixed term/permanent contracts where appropriate. There was also considerable challenge of spend on the waste disposal contracts as well as a communications campaign to further support residents in reducing contamination within their recycling waste.

Following a detailed review of the Street Lighting service, additional and ongoing maintenance and electricity costs were identified.

Highways relied heavily on agency staff to carry out pothole repairs which remains an ongoing priority area for both residents and members.

Action was taken to manage budgets and control spend; this included budget challenge sessions with all budget holders to reduce discretionary spend, a freeze on all non-essential recruitment and an ongoing exercise to review costly agency personnel and award fixed term contracts where appropriate. There was also considerable challenge of spend on the waste disposal contracts as well as a communications campaign to further support residents in reducing contamination within their recycling waste.

A mild winter resulted in a lower need for gritting services than anticipated which also helped further mitigate a number of cost pressures.

Place

Rental income for commercial properties performed well and alongside this there was a reduction in the anticipated spend on property maintenance in the last quarter.

Conditions surveys were initiated in-year on a number of assets; this is the first stage of the development of a schedule of the required repairs and maintenance works going forward and this remains an area of focus for future years.

The theatre and museum service once again delivered a self-financing position for the year, largely facilitated by the success of the pantomime over the festive period.

Dedicated Schools Grant (DSG)

Nationally, all local authorities and the education system have struggled to meet the additional demand for payments in support of children with statements/Education and Health Care (EHC) plans; for out of borough placements; for independent special school residential placements and for special educational needs and disabilities SEN(D) top up payments.

The high needs block remains a significant issue for Thurrock due to the increased efforts to maintain pupils within mainstream provision with additional externally commissioned specialist support.

The early years block exceeded the funding received from the Education and Skills Funding Authority (ESFA) and this area will undergo a review of the ways in which the policy is being applied across the borough with the intention to present a report to the schools forum in 2019/20.

The DSG has a carried forward deficit of £3.8m. A plan to address the deficit was agreed as part of the 2019/20 budget setting process. A return will be made to the ESFA by the 30th June that outlines the reason the deficit occurred and actions taken to contain expenditure within the funding envelope provided.

Other Income and Expenditure

The Council's investment approach and continued commercial focus has yielded additional returns in 2018/19 enabling greater investment in services and improved the level of useable reserves.

Housing Revenue Account

The HRA General Reserve has once again been maintained to expected levels in line with the HRA business plan.

As in previous years budget pressures were caused by the responsive repairs and maintenance service, these were mitigated by part year staff vacancies and in-year slippage to projects led by the Housing Operations service.

Rental income exceeded expectation due to a reduction in Right-To-Buy sales. This was used to offset a requirement to increase bad debt provision due to a rise in the number of tenants receiving Universal Credit and falling into arrears.

Additional resources have been allocated to the Development Reserve to fund a programme of adaptation works to Sheltered Housing properties and to offer continued support to the New Build Programme and Estate Regeneration work streams being carried out in 2019/20.

4. Capital Programme

- 4.1 Total capital expenditure for 2018/19 amounted to £65.945m. 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	1,725	1,085	(640)
Children's Services	7,244	5,813	(1,431)
Environment and Highways	11,409	10,308	(1,101)
Finance and Information Technology	2,250	1,604	(646)
Housing General Fund	92	47	(45)
Housing Revenue Account	23,897	21,303	(2,594)
HR; OD & Transformation	2,508	2,077	(431)
Corporate Strategy & Communications	15	12	(3)
Place	24,795	23,696	(1,098)
Total	73,934	65,945	(7,989)

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	21,916	15,517	(6,399)
Usable Capital Receipts	3,610	6,196	2,586
Earmarked Usable Capital Receipts	4,405	3,639	(766)
Major Repairs Reserve	10,668	10,015	(653)
Grants	8,982	7,122	(1,860)
Other Grants	20,295	20,082	(213)
Developers Contributions	3,484	3,353	(132)
Revenue Contribution to Capital	0	0	0
Reserves	574	22	(552)
Total	73,934	65,945	(7,989)

4.2 The capital outturn position includes the delivery of the following projects in 2018/19:

- £25.6m spent on improvements to the highways infrastructure, including design, land acquisition, land clearance costs for the widening of the A13 between Orsett Cock and Manorway interchanges, cycle and bus improvements to Tilbury station, Buckingham Road junction modifications, HGV control measures on the A1014 - and works to the Thurrock cycle network.
- £9.8m spent on transforming council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.
- £1.0m spend on environmental improvements including works to war memorials, improvements to burial grounds and open spaces.

- Completion of expansion works to Ockendon Academy School in South Ockendon, with a gross spend of £1.0m over the period 2016/17 to 2018/19.
- Works in progress - During the year a number of projects commenced which are expected to be completed during the current or next financial year.

4.3 As at 31 March 2019, the Council had authorised expenditure in future years of £7.9m. In addition a further £183.4m had been previously authorised for use in 2019/20 to 2021/22, giving a total future years' commitment of £191.3m.

4.4 This includes:

- £49.0m on widening of the A13;
- £22.9m on housing new build developments;
- £16.8m on school expansions;
- £12.4m on the Purfleet redevelopment;
- £9.7m on improvements to Grays South;
- £9.7m on improvements to Stanford Le Hope rail/bus interchange; and
- £8.2m on a 21st Century Care Home.

5. Reasons for Recommendation

5.1 The report presents the financial outturn position for 2018/19. The position will inform the preparation of the financial statements.

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

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

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

7.1 This report presents the financial outturn for 2018/19 which supported delivery of the council's priorities.

8. Implications

8.1 Financial

Implications verified by: **Jo Freeman**
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.

8.2 Legal

Implications verified by: **David Lawson**
**Assistant Director Law & Governance, and
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.

8.3 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.

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

- NA

9. Background papers used in preparing the report

- N/A

10. Appendices to the report

- NA

Report Author

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