

22 July 2020		ITEM: 14
Cabinet		
2019/20 Financial Outturn Report		
Wards and communities affected: All	Key Decision: No	
Report of: Councillor Shane Hebb, Deputy Leader and Cabinet Member for Finance		
Accountable Assistant Director: Jonathan Wilson, Assistant Director of Finance		
Accountable Director: Sean Clark, Director of Finance, Property and Governance		
This report is Public		

Executive Summary

The 2019/20 financial year has seen the council deliver the planned surplus of £5.800m which supported the delivery of council priorities during the year and ensures there is funding available to address the subsequent impact of COVID-19 in 2020/21. This has been supported by the delivery of planned investment returns which continue to supplement the other key funding sources to provide financial stability and ensure core services are delivered as well as discretionary priority projects.

Over the course of the 2019/20 municipal year, the Council maintained the General Fund Balance at £11.000m. The Housing Revenue Account Balance has been maintained at £2.175m.

Members should note that these balances remain the most important reserves a Council holds as they are set aside for unplanned impacts on the budget which are now being felt through the ongoing impact of the pandemic. These are some additional reserves which may provide some further financial resilience in the short term if necessary, and while the wider central government funding in response to COVID-19 remains under assessment.

When reflecting on the previous council year, services continued to be protected and Members have used the flexibility to support services during the year such allocating funding to build on the Ofsted good rating achieved in 2019/20 and to address the increases in demand in homelessness in the borough arising from recent legislative changes. The remaining funding from the surplus will now support the response to COVID-19 alongside Service Reviews which will need to balance cost savings with continued high quality service delivery.

The council continues to focus on prudent financial management to meet the financial challenges arising in services. This challenge has increased exponentially through COVID-19 and there remains significant uncertainty, for example in the stability of the adult social care market and in the longer term impact on commercial income streams.

In 2019/20 demand-led social care pressures continued to be closely managed alongside wider budget management controls, further income generation, improved efficiency measures and the reduction of non-essential spend. These challenges have been achieved while improving levels of financial resilience and delivering improved outcomes for residents.

This report provides a high level summary on the outturn for 2019/20 for the General Fund, Housing Revenue Account and Capital Expenditure.

In summary, for the municipal year 2019/20, expenditure has been achieved within the overall budget envelope and enabled an increase to balances to mitigate some of the significant financial risk already arising in 2020/21. Capital funding continues to support the delivery of housing and regeneration priorities.

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 £101.398m 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 continued to identify potential risks to the value of £1.703m (this was after the agreed allocation from the budget surplus to reduce the overall impact of the identified pressures predominately within Children's Social Care, Homelessness and Treasury). These pressures have been fully mitigated by subsequent improvements to the council's treasury position and savings within the support service Directorates.
- 2.2 These pressures were all recognised within the budget setting for 2020/21 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.

- 2.3 It should be noted the impact of COVID-19 had a minor impact in the 2019/20 outturn position but continues to be subject to detailed monitoring in 2020/21 both in terms of projected forecast positions and the wider MTFS.
- 2.4 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

	Directorate		
31-Mar-19			31-Mar-20
£'000			£'000
38,465	Adults, Housing and Health		43,086
37,678	Children's Services		41,021
650	Commercial Services		769
2,292	Corporate Costs		(2,952)
2,187	Corporate Strategy & Communications		0
21,972	Environment and Highways		22,724
10,296	Finance, IT & Legal		0
0	Finance, Governance & Property*		18,144
3,505	HR, OD and Transformation		3,927
3,798	Place		3,665
(188)	Schools		347
0	Strategy, Communications & Customer Services**		2,985
120,654	General Fund Total		133,716
(2,519)	Housing Revenue Account		5,521
(131,380)	Other Income and Expenditure		(142,241)
(13,245)	(Surplus) / Deficit		(3,007)
(21,972)	Opening General Fund and HRA Balance at 31 March 2019		(35,217)
(13,245)	Add surplus on General Fund and HRA Balance in Year		(3,004)
(35,217)	Closing General Fund and HRA Balance at 31 March 2020		(38,221)

* Finance, Governance & Property is a change in directorate heading for 2019-20 which reflects the transfer of services from the Place directorate

** Strategy, Communications & Customer Services is a change in directorate heading for 2019-20 which reflects the transfer of services from the Place directorate

2.5 It should be noted that included in the above table is £4.300m received from Central Government in the form of a grant to ease the financial burdens associated with the COVID-19 pandemic. This is reflected within Corporate Costs category and is then held as a reserve for use in 2020/21.

2.6 The table above shows the entire opening and closing usable reserves of the Council. It must be stressed that a number of reserves are held for specific purposes (usually called “ear-marked” reserves) and also include those relating to maintained schools end of year balances. It should also be noted that reserves that are not held for specific purposes, such as the General Fund Balance, can provide a one-time form of mitigation and not replace budget deficits on an on-going basis.

2.7 The table below sets out the Council’s reserves by category:

31-Mar-19 £000	Reserve Category	31-Mar-20 £000
909	Education and Schools	949
(1,635)	Adults, Community and Health	(463)
(4,667)	Other Earmarked Reserves	(10,421)
(3,450)	Budget Management Reserve	(5,272)
(4,000)	Financial Resilience Reserve	(6,162)
(11,000)	General Fund Balance	(11,000)
(11,374)	HRA Related	(5,852)
(35,217)	TOTAL	(38,221)

2.8 Notes to the reserves:

- Education and Schools – This includes 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 – This includes carry forward funding from the Public Health grant and Better Care fund – these are ring-fenced for specific use
- Grant carried forward – ring-fenced grant allocations for specific use as per grant conditions
- Other earmarked reserves – This captures all other earmarked reserves including ring-fenced accounts such as building control and planning.

- Transformation Reserve – This includes the surplus funding and 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 fair funding review and 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 which may emerge – i.e. there is a possible use of reserves for a “one-time” basis for pressures emerging from the COVID-pandemic, as well as any other factors the council would need to react to which may emerge.
- The General Fund Balance – the balance has been maintained to protect the Council from unmitigated budget pressures
- 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

3.1 Adults, Housing & Health

Balanced with in-year mitigation

Adults Social Care continues to operate in an ever challenging environment to deliver services within both their internal Provider Services and externally sourced care placements provisions. The demand for residential placements and support for people with learning disabilities, namely autism and challenging behaviours resulted in spend above the budgeted levels. Whilst some additional central government funding was allocated through the continued social care grant, this provided limited mitigation for the cost pressures in these key areas.

The budget has been rigorously managed through a combination of tight management of the waiting lists for Domiciliary Care and ongoing collaborative working with Health partners. This has enabled the Council to achieve one of the lowest number days of delayed discharges from hospital in the region. This is a key national indicator in tracking service user pathways through the Health and Social Care system.

Funds held within the pooled Better Care Fund further supported the directorate in their efforts to stabilise the domiciliary and residential care market but this area remains a high risk with providers experiencing ongoing issues with recruitment and retention of staff. Further investment has been

allocated as part of the 2020/21 budget setting process including the adult social care precept.

A number of new initiatives continued to be implemented in the financial year to pilot alternative ways of working and service delivery.

In the absence of the Adult 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. In addition, the recent pandemic will have significant long term implications on the delivery of Adult Social Care services in the future and how services are delivered.

3.2 Housing General Fund

Balanced with in-year mitigation

As a result of the implementation of the Homelessness Reduction Act in April 2018 and the changes to eligibility criteria for services, the Council's Housing Solutions service continued to receive increasing numbers of households presenting as homeless or at risk of homelessness throughout 2019-20. Members agreed to allocate a portion of the budget surplus to this area to offset the significant budget pressure.

Alongside this and in order to establish a longer term plan to be able to meet the increased demand, the service introduced a revised staffing structure to attract a stronger and qualified workforce and strengthen the service delivery. The service also continued to consider alternative accommodation solutions to try to limit the use of expensive nightly rate accommodation and bed and breakfast facilities to both improve the quality of accommodation and reduce the cost.

3.3 Children's Services

Balanced with in-year mitigation

The Ofsted inspection carried out in November 2019 resulted in an improved rating of "Good" for the services delivered by the Local Authority to the children and families in the borough. The inspection outcome reflected the hard work and commitment by the department, further supported by the wider organisation. Additional funding from the budget surplus was allocated to support this process, as agreed by Members.

The number of Looked after Children being supported remained below 300 during the last quarter of the year (largely attributable to the dispersal of UASC across the Easter region) and the Directorate continued to focus on the use of in-house foster care placements as opposed to the more expensive independent fostering agency option. Although spend in this area remained high, there was a stabilisation of costs compared to the previous year.

As in previous years, difficulties in recruitment and retention of permanent staff, being over establishment for a number of posts and a reliance on the use of agency personnel caused an in year budget pressure. It should be noted that the levels of agency staff were lower than the previous financial year and work was undertaken to align the HR establishment list to the budget allocation to address this issue going forward.

Home to School Transport experienced significant budget pressures as a result of a combination of new contracts awarded in September 2019, increased costs for transportation to Independent Schools and an increase in numbers of pupils with Education, Health and Care plans. This continues to be an area of significant risk for Local Authorities across the country.

3.4 Environment and Highways

Delivered within budget

During 2019/20 the Directorate continued to build upon the significant investment made in the previous financial year and ensured funding allocations were in line with the key risk areas. Senior management continued to challenge non-essential spend and to further encourage residents to reduce contamination within their recycling waste.

Effective management of staffing levels provided mitigation to a number of risks identified throughout the year. Recruitment to permanent roles within Waste services reduced the levels of agency staff support in the last quarter.

The Waste contract (which is subject to a variable cost per tonne element for disposal) achieved against budget despite the fluctuating rates.

A mild winter and the use of the Thurrock based weather station allowed for more accurate local forecasting and a reduced need for gritting services than anticipated which also had a favourable impact on the budget.

Additional income was generated from the provision of parking bay suspensions in which parking bays were reserved for a specific purpose and the Local Authority charged the relevant fees.

3.5 Finance, Governance & Property

Balanced with in-year mitigation

During 2019/20 the Authority's asset management and corporate landlord functions transferred from the Place directorate into Finance, Governance & Property.

There was significant spend incurred following a number of conditions surveys across a range of buildings to ensure compliance with health and safety regulations. In line with relevant legislation these costs could not be capitalised and remained a general fund pressure. A number of backdated utility charges further worsened the position but this was partially offset by increased rental income from commercial properties.

The Fraud Investigation team were unable to achieve their full income target following the decision to end their contract for work with another Local Authority. Attempts to secure alternative contracts with outside agencies had no significant budgetary impact but these plans remain in place for 2020/21.

The facilities management contract with an external supplier incurred a number of contract variations above the budgeted levels. There are plans to bring this service back under Local Authority management in 2020/21.

ICT incurred a number of software maintenance costs above expected levels which fell outside the scope for capitalisation and consequently became a general fund charge.

3.6 HR, OD & Transformation

Delivered under budget

Non-essential spend was tightly controlled across the directorate, a number of learning and development events were rescheduled and vacancies held to reduce the budgetary impact in 2019/20.

Staff training funded through the apprentice levy was maximised therefore reducing the level of spend allocated against the central training budget. The move to on-line training offers also led to a decrease in spend whilst still maintaining a diverse programme of courses.

The costs of the additional resources required to support the pay review project and the extra capacity needed in the Information Governance Team were absorbed and funded through vacant posts held elsewhere within the Directorate.

The costs associated with the continued roll out of Oracle Cloud were fully capitalised to reduce revenue costs pressures.

3.7 Place

Balanced with in-year mitigation

Overall development income was lower than expected and when combined with consultancy costs related to the Local Plan this caused a significant pressure for the directorate. Income targets and staffing costs have been reviewed as part of the 2020/21 budget setting process.

The appropriate recharging of staffing time against the relevant regeneration capital project ensured the true cost of the scheme had been reflected for the year and there was no adverse effect on the revenue position. Additional staffing resource required to support the wider Place delivery service was funded through a combination of vacant post slippage and corporate funding.

The introduction of Performance Planning Agreements in which applicants pay a fee to access support for their scheme's planning application process achieved extra revenue in relation to the anticipated levels.

The annual production of the pantomime at the Thameside Theatre received lower ticket sales compared to the previous year and this impacted income levels. As a result, the complex were unable to reach a break even position for the year.

3.8 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 Education Health and Care (EHC) plans; for out of borough placements, independent special school residential placements and for special educational needs and disabilities (SEND) top up payments.

The high needs block remained a significant issue for Thurrock, with the number of EHCP's increasing by 4.2%, in 2019/20. This has required both additional top up funding to be paid to Schools and Academies and an increase in demand for specialist placements.

The DSG has a carried forward deficit of £2m. This is a decrease of £0.6m from 2018/19. Discussions continue with the ESFA and the Schools Forum on options available to reduce demand for EHCP's and to increase Thurrock's Local Offer. An updated recovery plan is to be submitted to the ESFA by the 30th June.

3.9 Other Income and Expenditure

The Council's investment approach and continued commercial focus has performed and yielded above expected returns in 2019/20, enabling greater investment in services and improving the level of useable reserves, and thus, increase the authority's financial position and resilience.

3.10 Housing Revenue Account

The HRA was successful in year in maintaining the overall financial outturn, and the level of general reserves in line with the HRA business plan. Throughout the service, expenditure was contained within the budgeted level, but there were some pressures as a result of additional, essential electrical testing works carried out as part of the repairs and maintenance

programme for the year. These were mitigated by staff vacancies which were managed throughout the year.

Rental income exceeded expectation due to a reduction in Right-To-Buy sales. As in previous years this was used to offset a requirement to increase bad debt provision arising from an increase in tenant arrears due to roll out of Universal Credit and reduction of direct Housing Benefit payments. This situation will continue to be monitored closely, particularly in light of the recent situation regarding the pandemic, as the number of claimants continues to rise

There was an increase in the number of water bills received as a result of changes to the supplier agreement on empty properties.

It is essential going forward that the HRA continues to maximise its income in order to sustain the levels of service provided, and to meet new challenging demands as a result of changes in legislation and stock maintenance requirements.

4. Capital Programme

- 4.1 Total capital expenditure for 2019/20 amounted to £101.398m. A summary of this expenditure analysed by service, is set out below and also shows the source of financing.

Directorate	Budget £000	Total Spend £000	Variance £000
Adults, Housing and Health	3,723	1,618	(2,105)
Children's Services	11,870	9,825	(2,045)
Environment and Highways	9,813	6,714	(3,099)
Finance, Governance and Property	6,896	3,344	(3,552)
Housing Revenue Account	29,567	28,656	(911)
HR, OD & Transformation	4,694	3,277	(1,417)
Strategy, Communications & Customer Services	151	34	(117)
Place	50,530	47,930	(2,600)
Total	117,244	101,398	(15,846)

Source of Finance	Budget £000	Total Spend £000	Variance £000
Prudential Borrowing	36,981	26,037	(10,944)
Usable Capital Receipts	353	302	(51)
Earmarked Usable Capital Receipts	5,521	5,521	0
Major Repairs Reserve	10,540	10,540	0
Grants	15,272	11,816	(3,456)
Other Grants	36,138	35,788	(350)
Developers Contributions	5,249	4,204	(1,045)
Revenue Contribution to Capital	0	0	0
Reserves	7,190	7,190	0
Total	117,244	101,398	(15,846)

4.2 The capital outturn position includes expenditure supporting the delivery of the following major projects in 2019/20:

Highways Infrastructure:

A combined total of £41.5m spent has been spent on:

- Highways improvements including major drainage and bridge construction costs for the widening of the A13 between the Orsett Cock and Manorway interchanges
- Works to the Stanford le Hope rail interchange,
- Cycle and bus improvements to Tilbury station
- Works to Orsett Road Grays to enable two way traffic
- Drainage works at Buckles Lane in South Ockendon.

The widening of the A13 continues to face significant cost pressures with a current forecast of the project now expecting to cost of up to £115m, following the detailed VFM study and the plan put into place to resolve issues identified on commencement of the project (i.e. drainage issues, civils issues). Further pressures may arise from the ongoing impact of COVID-19 and constructive discussions to mitigate these risks continue between the Council and the lead contractor. The Council continues to work with the South East Local Enterprise Partnership to seek financial support for additional costs incurred. At the revised forecast cost the project continues to meet the value for money criteria set by the DfT.

The Stanford le Hope rail interchange project plan has been subject to a recent review to develop an improved solution with greater accessibility. This

has been made possible by the acquisition of land adjacent to the site which now enables the revised design to be implemented. This also reduces the projected costs under the original design.

Housing:

HRA new build schemes to the value of £15.5m have been delivered in year. This included the completion of the Topps Club development and further spend on the Calcutta Rd and Claudian Way sites.

A further £12.3m has been spent on the continued transformation of council homes, which includes the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.

Other Services

- £5.4m has been spent on the St Clere's school expansion with a further £2m spent on Tilbury Manor, Corringham Primary and Orsett Heath free school.
- £1.5m spent on the development of the Aveley Community Hub, completion and opening due in 2020/21.
- £1.0m spend on environmental improvements including works to war memorials, improvements to burial grounds and open spaces.

4.3 As at 31 March 2020, the Council had authorised expenditure in future years of £15.8m. In addition a further £189.4m had been previously authorised for use in 2020/21 to 2022/23, giving a total future years' commitment of £205.2m.

This includes:

- £50.0m on East Facing access roads to the A13 from Lakeside;
- £18.7m on housing new build developments;
- £16.4m on widening of the A13;
- £12.8m on the Purfleet redevelopment;
- £12.5m on improvements to Stanford Le Hope rail/bus interchange;
- £12.3m on school expansions;
- £8.3m on a 21st Century Care Home;
- £6.8m on improvements to Grays South; and
- £5.0m on the expansion of the Riverside Business Centre.

5. Reasons for Recommendation

5.1 The report presents the financial outturn position for 2019/20. 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 2019/20 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: **Tim Hallam**
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 financial outturn in 2019/20.

8.3 Diversity and Equality

Implications verified by: **Natalie Smith**
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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