

12 July 2017		ITEM: 16 (Decision 01104437)
Cabinet		
2016/17 Financial Outturn Report		
Wards and communities affected: All	Key Decision: Yes	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is Public		

Executive Summary

The council has successfully delivered savings of £100m since 2010, whilst limiting the impact on its customer offer or quality of service

The council has benefited from a recent history of prudent financial management to meet the financial scenarios arising that have predominantly related to demand-led social care pressures and additional discretionary requirements within Environmental Services. Mitigation has included managing demand, further income generation, improving efficiency and reducing non-essential spend.

Any 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 2016/17 for the General Fund, Housing Revenue Account and Capital.

The key message in the context of the pressures noted above is the General Fund Reserve balance has been maintained at £8.0m and the Housing Revenue Account Balance has increased from £1.754m to £2.175m. Simply, this means that overall expenditure has been achieved within the overall budget envelopes and, as agreed at Full Council, Thurrock has begun a three-yearly incremental increase of its General Fund Balance.

1. Recommendation(s)

That the Cabinet:

- 1.1 Note that the General Fund net expenditure has, despite in-year pressures and the discretionary investment of the Clean It, Cut It, Fill It campaign, been met within the overall budget envelope and the General Fund Balance has been maintained at £8.000m;
- 1.2 Note that the balance on the Housing Revenue Account Reserve at 31 March 2017 has increased to £2.175m due to one off savings; and
- 1.3 Note that there was a total of £44.297m 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 £0.142m due to pressures in Adults' and Children's Social Care and the cost of the Clean It, Cut It, Fill It initiative. 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 2017/18 with additional funding being allocated to each. This means that the council has maintained the General Fund balance at the planned £8m with agreed plans in place to increase to £9.260m by the end of 2019/20.
- 2.2 The table below summarises the outturn position in line with the new financial reporting requirements, including the need to compare against the prior year. This has the benefit of allowing year on year comparisons.

Net expenditure chargeable to the GF and HRA balances

2015/16 £000	Directorate	2016/17 £000
30,730,440	Adults; Housing and Health	34,105,192
34,942,634	Children's Services	37,686,724
23,053,303	Environment and Place	23,814,195
305,485	Commercial Services	643,582
4,773,740	Finance and Information Technology	7,687,030
2,128,192	HR; OD and Transformation	2,974,015
1,609,461	Corporate Strategy & Communications	2,310,879
1,931,328	Legal	1,646,042
2,538,043	Schools	3,664,336
22,837,953	SERCO	0
917,966	Corporate Costs	2,034,084
125,768,545	Net Cost of General Fund Services	116,566,079
(1,854,863)	Housing Revenue Account	(5,011,667)
123,913,682	Net Cost of Services	111,554,412
(106,238,734)	Other Income & Expenditure	(111,996,783)
17,674,948	(Surplus)/Deficit	(442,371)

(35,813,706)	Opening General Fund and HRA Balance	(18,138,758)
17,674,948	(Surplus)/Deficit in year (per table above)	(442,371)
(18,138,758)	Closing General Fund and HRA Balance	(18,581,130)

2.3 The table above shows the total opening and closing balances of the “usable” reserves of the council. This can be misleading for those who do not regularly read into Local Government Finance terminology, as a number of reserves are for specific uses 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-16	Reserve Category	31-Mar-17
(5,353,524)	Education and Schools	(1,430,434)
(1,480,438)	Adults, Community and Health	(1,248,355)
(524,290)	Grant Carried Forward	(112,248)
(1,026,480)	Other Earmarked Reserves	(1,024,400)
(8,000,000)	General Fund Balance	(8,000,000)
(1,754,026)	HRA Related	(6,765,693)
(18,138,758)	TOTAL	(18,581,130)

- Education and Schools – Primarily individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use
- Adults, Community and Health – Primarily Public Health grant and Better Care fund which are ring-fenced for specific use.
- 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 £3m and £1.4m Housing Zone funding

2.5 Whilst the overall balance reflects a slight increase, the overall level of balances remains low for an authority with the size and mix of services of Thurrock. In fact, the HRA has increased through one off gains as set out in section 4, with the balance largely committed to current programmes, that means that reserves for the general fund and schools have reduced as planned meaning that money held by this local authority has been spent on the front-line services of which the general Thurrock population will/have benefit.

2.6 Two further points to note – all expenditure has now been adjusted to reflect that there is no longer the need to recharge between services and, secondly, the lower cost of ‘Serco related services’ is reflected in the 2016/17 directorate costs with the impact of showing Directorate increases over 2015/16.

3. Front Line Service Commentary

3.1 Adults Housing & Health

3.1.1 There have been significant pressures particularly in relation to the domiciliary homecare provision and the need to bring a number of care hours back in-house. The instability in the local market resulted in increased costs for the Local Authority which were closely monitored and managed within the Directorate. Mitigation included a freeze on recruitment of non-essential staff, review of all non-staffing relating costs, reassessment of client contributions and developing closer working relationships with the council's health partners. Increased temporary accommodation placements continue to cause pressure within Housing, however, was managed in year.

3.2 Children's Services

3.2.1 As reported throughout the year, Children's Services continues to see a number of demand led pressures. Additional budget growth has been provided to the service and the review conducted by iMPOWER is expected to facilitate the action to address these pressures. The main pressures faced by the service are:

3.2.2 The cost of placements – external placements for children continue to be a pressure, where the cost of Independent Foster Care Agencies (IFAs) is still the major concern in common with the national position. The review of in-house foster care, through iMPOWER, has considered ways to increase the supply of in-house providers to significantly reduce costs;

3.2.3 Pressures in staffing continue with higher cost temporary staff being replaced with good quality permanent recruits. The service has made significant progress in ensuring all agency staff are on the agreed Eastern region rates to reduce the incentives to move assignments between Local Authorities; and

3.2.4 The number of unaccompanied asylum seekers supported in Thurrock has been steadily and successfully reducing in the later part of the year from a peak of 103 following the introduction of the Eastern regional protocol. The original intake was far in excess of what had been forecasted and, consequently, Thurrock has taken a larger share of the spend required in contrast to neighbour authorities. However, through successful work with neighbouring authorities, this spend has been reduced month-on-month through the municipal year.

3.3 Environment and Place

3.3.1 The Directorate has managed significant pressures within the year including increasing spend on waste disposal due to a trend of increasing waste and declining recycling rates. Further financial pressure from additional town centre clean up requirements, increasing demands on the highway network and managing the undelivered budget savings associated with the Thameside

building has also had to be managed. The Cabinet's introduction of Clean it, Cut it, Fill it in Summer 2016 resulted in additional spend in 2016/17, which has ultimately been recovered through efficiencies and other savings in back-office operations. An additional £1.00m funding has been provided in 2017/18 to mainstream this initiative.

3.4 Dedicated Schools Grant (DSG)

3.4.1 The DSG outturn for 2016/17 is an over spend of £1.343m which equates to 1% of the total DSG budget. All of this money has been spent within schools and has no impact on the council's general fund balances. Demand led pressures continue to grow and mirror those experienced in other boroughs, particularly within London. The additional spend was primarily within the High Needs block due to additional 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. 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.

3.4.2 With the imminent move to a national funding formula, and school budgets becoming more demanding to meet schools' needs and future growth pressures, it is proposed to readdress areas of DSG demand via a sub working group consisting of members from schools forum. This will include health checks of all blocks and development of a recovery plan to address pressures and to recover the overspend.

4. **Housing Revenue Account**

4.1 The main pressure within the HRA was revenue repairs and has been managed by savings within the housing investment and delivery team. Actual bills issued to Leaseholders for general service charges during the year resulted in increased income which offset the reduction in income from tenants in the New Build schemes due to letting delays. Income pressures continue with the rent reduction policy.

4.2 The transforming homes core programme was funded by revenue resources in 2016/17 with 'exceptions' being funded from the non ring-fenced capital receipts from right to buy sales. Changes were made to the financing of the new build programme to maximise the use of 1-4-1 receipts with the balance through prudential borrowing. One off increased recharges to the HRA during 2016/17 were made to reflect increased infrastructure costs relating to key service areas.

4.3 A one off saving on the cost of servicing debt, due to a change to the profiled delivery within the capital programme, has resulted in the HRA increasing its general balance by £0.421m bringing them to £2.175m. Other HRA reserves include a budgeted £3m contribution to the development reserve required to

fund multi-year capital schemes within the HRA business plan and £1.4m Housing Zone funding to support future aspirations in building new homes and undertaking estate regeneration schemes. These are all fully committed.

5. Capital Programme

5.1 Total capital expenditure for 2016/17 amounted to £44.297m, out of a total allocation of £63,566m. The reason for the variance is largely due to the profiling of spend and additional work required in the planning and scope of the projects. 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
Learning & Universal Outcomes	9,421	7,943	(1,478)
Adult Social Care	763	399	(364)
Housing General Fund	200	112	(88)
Housing Revenue Account	17,995	13,349	(4,646)
Environment	2,860	1,834	(1,026)
Planning and Transportation	19,470	12,700	(6,770)
Property and Regeneration	7,049	5,227	(1,822)
HR, OD & Transformation	4,805	1,447	(3,358)
Finance and I.T.	1,003	1,286	283
Total	63,566	44,297	(19,269)

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	26,387	14,013	(12,374)
Supported Borrowing (SCER)	0	0	0
Usable Capital Receipts	1,828	879	(949)
Earmarked Usable Capital Receipts	1,215	1,084	(131)
Major Repairs Reserve	0	0	0
Grants	20,308	16,373	(3,935)
Developers Contributions	2,783	1,924	(859)
Trusts	135	135	0
Reserves	10,910	9,889	(1,021)
Total	63,566	44,297	(19,269)

5.2 The capital outturn position includes the delivery of the following projects in 2016/17:

- £10.23m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.
- The completion of new council dwellings at Bracelet Close, Corringham, with a gross spend of £5.35m over the period 2013/14 to 2016/17.

- £12.70m spent on improvements to the highways infrastructure, including replacing street lighting with LED lighting, design costs for the widening of the A13 between Orsett Cock and Manorway interchanges, further improvement works to Oliver Road, West Thurrock and car parking improvements at Thames Road, Grays and Canterbury Parade, South Ockendon.
- £0.21m spent on the improvements to the hearing impairment unit at Warren primary school
- £0.15m spent on pothole detecting cameras, fitted to waste collection vehicles, part of the Government funded one year funded trial to improve road safety, cut congestion and improve journey times.
- 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 2017, the Council had authorised expenditure in future years of £19.269m. In addition a further £77.956m had been previously authorised for use in 2017/18 and 2018/19, giving a total future years' commitment of £97.225m. This includes £13.4 on the Purfleet redevelopment, £9.1m on improvements to Grays South, £20.0m on housing new build developments and £4.8m on improvement works to the Civic Offices ground floor.

6. Reasons for Recommendation

6.1 The report presents the financial outturn position for 2016/17. 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 2016/17 which supported delivery of the council 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. Austerity measures in place are continually reinforced across the Council.

9.2 **Legal**

Implications verified by: **David Lawson**
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**

None

11. **Appendices to the report**

None

REPORT AUTHOR

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