

**Report To: Cabinet**

**Date of Meeting: 2<sup>nd</sup> June 2015**

**Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady**

**Report Author: Richard Weigh, Chief Accountant**

**Title: Finance Report & Corporate Plan Update**

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**1. What is the report about?**

The report sets out the council's budget, agreed savings and Capital Plan for 2015/16. The report also provides an updated position on the Corporate Plan and a proposal to increase the investment in highway maintenance.

**2. What is the reason for making this report?**

The purpose of the report is to provide an update on the council's current financial position and to approve amendments to the Corporate Plan.

**3. What are the Recommendations?**

Members note the 2015/16 budgets and savings.

Members approve the proposals to amend the Corporate Plan:

- Increase expenditure on highway maintenance by £800k per year and confirm the assumptions noted within the Plan

**4. Report details**

The report provides a summary of the council's revenue budget for 2015/16 detailed in **Appendix 1**. The council's net revenue budget is £185m (£188m in 14/15). A summary of saving proposals agreed is shown as **Appendix 2**.

**Corporate Plan**

When the Corporate Plan was launched in 2012, it set out an ambitious programme of capital investment in schools, roads, social care and modernisation that underpinned the priorities the council set for the current administrative term. The ambition within the Plan was set against the financial reality of delivering significant investment in priorities at the same time as reducing expenditure in other areas.

The delivery of the Plan is reliant on the council securing revenue budget to fund borrowing and identifying and maintaining significant cash reserves. It

also relies upon government grant to help deliver the 21<sup>st</sup> Century Schools programme and in previous financial years, government grant has also supported the funding of additional investment highways. However, in 2012, although a funding plan was identified, it was not certain that the costs identified and levels of resource to fund them could actually be secured.

Since 2012, as the Plan has developed, the funding underpinning it has moved from an aspirational forecast to a robust, affordable strategy. To make the Plan affordable, some revisions have been necessary alongside changes in planning assumptions. Such changes are inevitable in long-term financial planning.

In February 2015, as part of the proposals to set the budget for 2015/16, a decision was taken to prioritise the delivery of the Corporate Plan in future budget rounds. Alongside this, a summary of the latest version of the Plan was presented which is set out below:

	<b>Aspirational Plan 2012 £m</b>	<b>Affordable Plan Feb 2015 £m</b>
Schools – 21 <sup>st</sup> Century Programme	74	69
Schools – Modernisation Programme	23	17
Social Care – Extra Care Housing	21	21
Regeneration – Office Accommodation	6	0
Highways	10	12
<b>Total Estimated Capital Cost</b>	<b>134</b>	<b>119</b>
<b>Funded By:</b>		
Welsh Government Grant	42	48
Council Cash Reserves	20	24
Council Borrowing	58	33
External Contributions (Extra Care)	14	14
<b>Total Funding</b>	<b>134</b>	<b>119</b>

The key changes to the original Plan are the removal of the Office Accommodation project and a reduced estimated cost of the 21<sup>st</sup> Century Schools programme. These adjustments, along with the resources already identified and earmarked, mean that the Plan is now both affordable and deliverable. Crucially, the council has continued to prioritise the delivery of the Plan and in doing so has ensured the resources required have been actually committed. This has been underpinned by a policy of any unallocated cash surpluses or contingencies being used to support the Plan.

The Plan currently includes £11.7m additional investment in Highways. Of this, £4.9m was funded borrowing under the Local Government Borrowing Initiative. This funding ended as part of the 2015/16 Budget Settlement and meant that the investment in highways might have to reduce as a result. The level of investment in the county's roads in recent years has improved standards but

technical surveys indicate that to ensure the current levels are maintained, an additional £800k per annum is required. Assuming the existing level of prudential borrowing for highways is maintained (£1.750m pa but subject to approval as part of the annual budget process), this would increase the additional expenditure on highway maintenance by £3.2m to £18.4m over the life of the Plan. The total cost of the Plan would then be £125.9m. It is possible to allocate additional resource to highways to fund the additional £880k per year because borrowing costs have been lower than had been originally forecast.

Based on the latest assumptions within the Plan, it is possible to fund the additional resource required to maintain the roads to the current standard – and importantly, to avoid a significant deterioration that creates a future funding liability. This additional investment is only possible if the rest of the assumptions in the Plan remain and the planned additional revenue budgets to support the Plan are secured (£250k in 2016/17 and £200k per year thereafter).

It should be noted that a key assumption in the current Plan is that funding of the faith school project under the 21<sup>st</sup> Century Schools programme is based on the council funding 15% of the total estimated cost of £23m. Changes to this assumption would remove the possibility of additional investment in roads and would jeopardise or delay the delivery of other projects.

A copy of the latest version of the Plan, including the additional investment in highways, is shown as Appendix 4.

Cash reserves at the beginning of 2014/15 were £14.4m. Accounting for transfers during the year, cash raised to fund the Plan by the end of the year is likely to total £18.4m, of which £11m is either spent or committed to current schemes, such as Rhyl High School. The remainder is required to fund future schemes identified in the Plan. The total cash requirement to deliver the Plan is £23.8m.

**5. How does the decision contribute to the Corporate Priorities?**

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

**6. What will it cost and how will it affect other services?**

The budget details are contained within the appendices.

**7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

A detailed impact assessment was produced as part of the budget setting process and was reported to Council in December 2014.

**8. What consultations have been carried out with Scrutiny and others?**

There was a significant consultation process with members, staff and others as the budget for 2015/16 was developed. External partners have also been consulted and there was a public engagement exercise to assess the impact of budget decisions.

**9. Chief Finance Officer Statement**

It is important that services continue to manage budgets prudently and that any in-year surpluses are considered in the context of the medium-term financial position, particularly given the scale of budget reductions required over the coming two or three years.

The Corporate Plan can only be delivered within the resources identified. Changes to the key assumptions underpinning the Plan or failure to secure the budget and cash required will result in projects being removed or delayed. Lower borrowing costs have meant that resources can be allocated to fund £800k additional investment in highways. Annual budget allocations to the Corporate Plan are subject to the annual budget approval process.

**10. What risks are there and is there anything we can do to reduce them?**

This is the most challenging financial period the council has faced and failure to deliver the agreed budget strategy will put further pressure on services in the current and future financial years. Effective budget monitoring and control will help ensure that the financial strategy is achieved.

**11. Power to make the Decision**

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.