

Report To: Cabinet

Date of Meeting: 29th September 2015

Lead Member / Officer: Councillor Julian Thompson-Hill / Richard Weigh, Chief Finance Officer

Report Author: Steve Gadd, Chief Accountant

Title: Finance Report

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2015/16. The report also provides a summary update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan.

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.

3. What are the Recommendations?

Members note the budgets set for 2015/16 and progress against the agreed budget strategy.

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). The position on service and corporate budgets is a forecast underspend of £0.380m (£0.594m under at the end of June). Further narrative around the reasons for variances and the risks and assumptions underlying them are outlined below.

Savings of £7.3m were agreed as part of the budget and a summary of the savings is shown as **Appendix 2**. £5.406m (74%) of the savings have already been achieved, an increase of £0.113m from that reported in July. Progress on the remaining 26% will be monitored closely over the coming months, however there is still a high degree of confidence that the majority of these savings will also be achieved.

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?

Significant service narratives are shown in the following paragraphs.

Children's Services – The service is currently expected to overspend by £126k (£88k underspend projected at the end of June). As noted in previous months' reports projections in this service can change as the year progresses due to in-year changes in high cost placements. Unfortunately the following changes to a small number of cases have adversely effected the projected outturn:

- A change to one specialist placement's care needs (placement now assessed as requiring 2 to 1 care) has increased projected costs by approximately £76k.
- It is now anticipated that the service will utilise an external agency to secure adoption places for two children at a cost of £76k.

It is hoped the service can reduce the current projected overspend through the management of vacancy savings and possibly through the utilisation of the Specialist Placement Reserve. However the possibility of further changes to high costs placements will remain a risk.

Planning and Public Protection – The service is currently projected to underspend by £50k (£52k last month) due to the early implementation of agreed budget savings.

Highways and Environmental Services – Risks around School Transport, Parking and the work carried out on behalf of the Trunk Road Agency remain in 2015/16. The following management action has been identified:

- **Parking** - Better performance management of the enforcement staff to increase PCN income and a review of operational costs had already been implemented during last year. Pricing tariffs for the car parks will be reviewed as part of the budget process.
- **School Transport** - A task and finish group was brought together to look at options to reduce the trend of overspending in this area. This has resulted in a revised School Transport policy being issued (applicable from September 2015) which it is hoped will help the service move to a break even position. Progress will be monitored closely over the coming months as pressures around demography, college transport and SEN requirements still need to be fully assessed. Details of the contracts in place for the 15/16 academic year will not be fully known until September and their impact will be reported to Cabinet in October.
- **North and Mid Wales Trunk Road Agency** - The service has reduced costs in order to limit the impact of the reductions in fee income that are currently known, however there remains a risk of further reductions in income and levels of work.

It is currently projected that the actions identified above alongside careful cost management within the service as a whole will allow the Highways and Environmental Service to break even overall this year.

Other Service Risks / Assumptions – Although other services are currently projected to break even there are a number of risks and assumptions that will be monitored closely over the coming months and reported to Members.

Schools - At the end of August the projection for school balances is £1.631m, which is a reduction of £1.907m on the balances brought forward from 2014/15 (£3.538m). Monitoring reports have been submitted to finance detailing the risks and assumptions that have informed the projections and summaries of plans in place for using reserves and/or dealing with projected deficits. The non-delegated budget is currently projected to break even.

Corporate – It is still currently projected that there will be an underspend on Corporate budgets of £0.454m. It is anticipated that this will increase over the coming months as a result of the following initiatives:

- An ongoing review of contingency budgets held centrally.
- A review of reserves and provisions (including Bad Debt Provisions)

The current assumption is that corporate underspends will be used to support the delivery of the Corporate Plan, however recommendations will be made in future monitoring reports once the outcome of the initiatives are known in full.

Corporate Plan cash reserves at the beginning of 2015/16 are £17.413m. Allowing for projected funding and expenditure during the year, the Corporate Plan balance at the end of the year is estimated to be £6.538m.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £46.5m with expenditure to date of £15.1m. Also included within Appendix 2 is the proposed expenditure of £29.9m on the **Corporate Plan**. **Appendix 4** provides an update on the major projects included in the Capital Plan.

The **Housing Revenue Account (HRA)**. The latest revenue position assumes an increase in balances at year end of £138 k compared to a budgeted increase of £168k. HRA balances are forecast to be £1.911m at the end of the year. The Capital budget of £7.8m is allocated across Repairs and Maintenance planned repairs (£7.2m), Environmental Improvements (£0.5m) and an IT project (£150k).

Treasury Management – At the end of August the council's borrowing totalled £183.707m at an average rate of 5.14%. Investment balances were £20.7m at an average rate of 0.52%.

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?

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Specific proposals were reviewed by scrutiny committees. There were ten budget workshops held with elected members to examine service budgets and consider the budget proposals.

There was a public engagement exercise to consider the impact of budget proposals and there are ongoing discussions between some of the county council's services and some Town councils. The council has consulted its partners through the joint Local Service Board and specific discussions have taken place with the Police.

All members of staff were kept informed about the budget setting process and affected staff have been or will be fully consulted, in accordance with the council's HR policies and procedures. Trade Unions have been consulted through Local Joint Consultative Committee.

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.

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.