

Report To: Cabinet

Date of Meeting: 24th November 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 £0.298m (£0.476m under at the end of September). 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**. £6.647m (91%) of the savings have already been achieved (£6.627m last month). As promised last month please find a table below which provides details on the progress towards achievement of the remaining 9% of savings. As can be seen the majority of these savings are projected to be achieved by 2016/17 at the latest.

Agreed Savings by Service Area	STATUS	2015/16 £'000	Comments / Notes
Communication, Marketing & Leisure Leisure Centres - further increase income and efficiency	In Progress	118	It is currently projected that this efficiency will be achieved, however the service still needs to monitor the income levels over a full year in order to be certain.
Finance & Assets Property - Office Accommodation Rationalisation	In Progress	100	Due to the delays in disposing of the Ty Nant offices in Prestatyn and 46 Clwyd Street in Ruthin this efficiency has only been partly achieved. Presently the shortfall in the savings target for 15/16 is being funded from planned underspends within other areas of the Property Services budget. It is still anticipated that this efficiency will be achieved in full during 2016/17.
Corporately held efficiencies: Corporate Complaints - provision to be considered as part of the wider corporate review of support/business services	Review	40	These two savings have been held centrally as it was unknown at the time of setting the budget which services would be able to contribute to the savings target. It is currently projected that £40k of this saving has been achieved, the balance is being funded from corporate contingencies in 2015/16.
Corporate Improvement Team (corporate review of support/business services)	Review	180	
Adult & Business Services Benefits & Welfare Advice Service Review	In Progress	200	The actions needed to deliver the saving have been achieved but due to some delays and one-off costs, the saving is being funded from social services reserves in the current financial year.
Total 'In Progress' or 'Review'		638	

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 £237k (£129k overspend last month). As noted last month there is always the possibility of changes to high costs placements which can adversely affect the projected outturn within this service. The movement from last month largely relates to 2 new high cost placements and an increase in respite costs. However it is still 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.

Planning and Public Protection – The service is currently projected to underspend by £50k (£65k 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 are being reviewed.
- **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. The effect of the new policy on the budget position is being monitored closely alongside the effect of continuing pressures around demography, college transport and SEN requirements. The contracts in place for the 15/16 academic year have now been examined and it is currently projected that there is a net pressure of approximately £55k in this area.
- **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, as reported last month, there are projected to be further reductions in income and levels of work in this area which have resulted in a pressure of £80k.

The specific pressures highlighted above have been partly offset by a number of underspends elsewhere within the service. The service is therefore currently projected to overspend by £101k, although management will continue to try and identify in year savings to offset this pressure.

Business Improvement and Modernisation – This service is now projected to underspend by £89k (£80k underspend last month) largely due to vacancy savings related to the early achievement of efficiencies agreed as part of the Phase 4 savings for 2016/17.

Schools - At the end of September the projection for school balances is £1.894m, which is a reduction of £1.644m 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 overspend by £68k due to additional costs related to the expansion of Broadband in Schools. It is hoped this overspend will be offset by a reduction in historic pension costs, although these figures will not be known until the end of the financial year.

Corporate – It is still currently projected that there will be an underspend on Corporate budgets of £0.454m. The current assumption is that corporate underspends will be used to support the delivery of the Corporate Plan. A review of corporate contingencies, provisions and reserves is ongoing and will be reported on in future monitoring reports.

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

One risk emerging on corporate budgets is the likelihood of further contributions being levied to service the council's obligations (along with most others in the UK) in respect of the former Mutual Municipal Insurance Company. Councils were mutual members of the company and have inherited liabilities upon its winding up. The liabilities relate to historical claims. This follows £393k that was paid in 2014/15. No figures have been quoted as yet for the latest levy but the council's maximum exposure is £2.225m.

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 reserve at the end of the year is estimated to be £4.231m.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £48.9m with expenditure to date of £23.8m. Also included within Appendix 2 is the proposed expenditure of £26.4m in 2015/16 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 £139k compared to a budgeted increase of £168k. HRA balances are forecast to be £1.990m 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 October the council's borrowing totalled £193.442m at an average rate of 4.8%. Investment balances were £9.7m at an average rate of 0.71%.

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.