

Report To: Cabinet

Date of Meeting: 12th January 2016

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 £0.460m (£0.410m under at the end of November). 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. As reported previously, the majority of the remaining 9% of savings are projected to be achieved by 2016/17 at the latest.

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 £241k (£237k 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. It is still hoped the service can reduce the current projected overspend before the end of the financial year, otherwise the pressure will be funded through the Specialist Placement Reserve.

Planning and Public Protection – The service is currently projected to underspend by £61k (£60k 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** – Although the service has made good progress this financial year in dealing with an underlying overspend there are a number of additional issues and risks that have occurred during the year:
 - The new policy applicable from September 2015 has been the subject of a number of appeals around the application of the policy. This has led to a number of changes including the need for some one-off investment to ensure the new routes to the pick-up points are safe. This may lead to an increase in the projected overspend in this area depending on the timing of the completion of the improvement works.
 - There is currently a legal challenge ongoing around the designation of a safe route in the south of the county. The outcome of this challenge will be monitored closely.
- **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 £96k.
- **Management Restructure** - The restructure will contribute to the overall savings target for next financial year however £80k of one-off costs are included this year. It is currently hoped that this will be able to be met from within the service.

The specific pressures and risks highlighted above have been partly offset by a number of underspends elsewhere within the service. The service is therefore currently still projected to overspend by £112k (£112k overspend

reported last month), although management will continue to try and identify in year savings to offset this pressure. So far, expenditure on winter maintenance activity has been much lower than in previous years and if this continues, it will also contribute to funding the pressures highlighted above.

Business Improvement and Modernisation – The service is now projected to underspend by £86k (£89k 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.

School Improvement and Inclusion – The service is currently projected to underspend by £116k (£111k underspend reported last month). £33k of the underspend is due to the early achievement of the School Library Service efficiency, the remaining £83k is due to temporary vacancy savings pending the merger of the service with Children's Services. It is hoped that this underspend can be utilised in future years to help fund the additional service requirements resulting from the draft Additional Learning Needs and Education Tribunal Bill which sets out proposals for a new legislative system for supporting children and young people, aged 0-25, who have additional learning needs. There remains a risk around the projected outturn for the Out of County service area as we are yet to receive notifications for the Autumn Term from other Local Authorities. However the service could draw on the Out of County Reserve if there was a projected overspend in this area.

Schools - The latest 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.

Economic and Business Development - The service is currently projected to underspend by £51k (projected to break-even last month). In May the newly restructured EBD Team was put in place, with a significant change in direction and new focus on engagement with the business community which required the development of a new programme of work for the team. The underspend is due to a delay in project development work and the effect of this on the delivery of actions in the Town Centre Growth Plan and the Tourism Growth Plan. There is no reduction in the number or scale of actions proposed in both Plans and costs are now expected to be incurred in the next 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 next month.

As highlighted over recent months, the risk remains on corporate budgets around 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. Although we are not expecting notification of the financial obligation before March 2016, it is likely that the figure will be similar to that paid in 2014/15 and if so, it will be funded from corporate contingencies.

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.

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 £48.2m with expenditure to date of £30.9m. Also included within Appendix 3 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 Housing Capital Plan forecast expenditure is £5.6m. Any slippage in the capital plan will be rolled forward into the Housing Capital Plan for 2016/17.

Treasury Management – At the end of December the council's borrowing totalled £192.242m at an average rate of 4.87%. Investment balances were £11.3m at an average rate of 0.65%.

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.