

Report To: Cabinet

Date of Meeting: 26th April 2016

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

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.

Members approve in principle the use of service underspends proposed by Heads of Service, subject to the Final Outturn position (see summary at Appendix 5).

It is recommended that the business cases relating to the 21st Century Schools are approved for recommendation to Full Council as follows;

- Approval of the combined Outline and Full Business Case for the Glasdir Schools development; and
- Approval of the Business Justification Case for Ysgol Carreg Emlyn.

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 £1.276m (£0.585m under at the end of February). £326k of this movement relates to the use of the Specialist Placement Reserve to fund the Children's Service overspend. A further £160k relates to a change in the accounting treatment of the projected Environmental Services Trading Accounts. 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 will 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. A number of services are projected to underspend and proposals are included below as to how services are planning to carry forward and utilise these resources in the new financial year. These requests are summarised in Appendix 5 and it is recommended that Members authorise these plans in principle, although a final update will be provided in the Final Outturn report in case of any late movements in projections. It is important to have approval in principle as some proposals are time sensitive (for example extensions of employment contracts).

Children's Services – As noted throughout the year the Specialist Placement Reserve has been called upon in order to ensure that the service comes in within budget. The projected call upon the reserve is currently £307k (£326k last month). Changes to high costs placements can have a significant impact financially and this risk will continue into the new financial year.

Planning and Public Protection – The service is currently projected to underspend by £82k (£54k last month) largely due to the early implementation of agreed budget savings. The movement from last month is a result of legal costs relating to a planning application appeal that went against the Council being less than predicted. The service proposes to utilise the funds to help fund 3 fixed term posts to help deliver project work and maternity cover.

Highways and Environmental Services – A number of pressures still exist within the service both in 2015/16 and beyond relating to Parking, School Transport, and the North and Mid Wales Trunk Road Agency. As reported in detail in previous reports management action has been identified to help mitigate these particular risks and the effects have also been offset by a number of underspends elsewhere within the service. In addition to this management action the remaining Environmental Services trading services (Building Cleaning and the Catering service) have been brought into the main revenue accounts. This technical accounting adjustment has no effect on the running of the services but does mean that the projected surplus of £160k now has to appear in the service outturn instead of being transferred to the Environmental Services Balance account. The service is therefore projected to underspend by £165k (£37k overspend reported last month). The remaining £42k movement largely relates to lower than anticipated inter-authority recharge relating to Public Transport.

It is proposed that the service underspend within Highways and Environment be added to the Winter Maintenance / Severe Weather Reserve in order to help build resistance against future weather events and to help fund the effects of the severe wet weather at the end of December that has left the Council with a backlog of maintenance required on the road network.

Legal, HR & Democratic Services – The service is now projected to overspend by £53k (£66k overspend last month). The majority of the overspend relates to staff exit costs which forms part of a restructure which will help the service modernise and become more resilient in the coming years.

Finance, Assets & Housing - The service is now projected to underspend by £87k (underspend of £18k last month) which relates to staff vacancies, maximisation of grant expenditure and additional income relating to industrial units. The service has requested that the underspend be utilised in 16/17 for:

- Essential Health and Safety maintenance relating to the Agricultural Estates (£30k)
- Maintenance backlog relating to Industrial Estates (£40k)
- Projected restructure costs within the service (estimate of £17k)

Business Improvement and Modernisation – The service is now projected to underspend by £300k (£321k underspend last month). The majority of the savings relate to the early achievement of vacancy savings in preparation for the full year budget saving target of £100k for 16/17, reduced ICT consultancy costs and additional credits received on communications contracts. The service has requested to utilise the underspend to offset the costs of the planned service restructure within ICT, extend the temporary archivist role within Information Management and invest in staff training.

Communication, Marketing and Leisure – The service is currently projected to underspend by £146k (£55k underspend reported last month). The movement relates to improved income projections across all Leisure Centres and in particular the Nova Centre has out-performed the prudent projections for the first four months of operation. It is recommended that the underspend be utilised to help fund the delay in Outreach equipment procurement and the further investment in improvements and maintenance within Leisure Centres in order to help maintain the leisure provision within the County.

School Improvement and Inclusion – The service is currently projected to underspend by £13k (£43k underspend reported last month). The movement of £30k relates to an increase in Out Of County costs. It is hoped that the remaining 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.

Schools - The latest projection for school balances is £1.322m (£1.320m last month), which is a reduction of £2.216m 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 now currently projected to underspend by £5k.

Economic and Business Development - The service is currently projected to underspend by £148k (£149k underspend last month). The underspend is due to a delay in project work within a number of areas as detailed in previous monitoring reports. There is no reduction in the number or scale of actions proposed in spending plans and costs are now expected to be incurred in the next financial year for which it is hoped the service will be able to carry forward appropriate funds. It can be confirmed that plans have been agreed to ensure full use of this underspend in 2016/17 which will maintain momentum with Economic Development and business support work and accelerate progress with achieving the Economic Development priorities within the Corporate Plan.

Corporate – It is currently projected that there will be an underspend on Corporate budgets of £388k (£374k underspend last month). The movement relates to lower than anticipated Audit Fees relating to Grant Certification work.

As highlighted over recent months, there has been a risk 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. We have now received notification that we will be required to pay an additional amount of approximately £262k. Although this will not be payable until May 2016 we are required to recognise this as a provision within the 2015/16 accounts. It will be funded from the Insurance Fund reserve.

Other Service Risks / Assumptions – There remains a number of risks and assumptions and there still remains a risk that projections will change between now and outturn. Any known significant variations will be reported verbally to Cabinet at the meeting.

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 £2m.

The Strategic Investment Group (SIG) discussed the funding requirements of the Ruthin Primary 21st Century Schools projects on the 28th January. SIG made a recommendation to Cabinet that £4.8m contingency is set aside to support Glasdir schools and Ysgol Carreg Emlyn schemes, funded from the release of revenue budgets from within the project. These funds were approved by Cabinet on 16th February. SIG have now received and approved the latest business cases for these projects and have recommended that the business cases are considered and approved for recommendation by Cabinet

to Full Council for approval. The latest versions of the business cases are included at appendices 6 and 7.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £45.3m with expenditure to date of £41.4m. Also included within Appendix 3 is the proposed expenditure of £24m 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 £198k compared to a budgeted increase of £168k. HRA balances are forecast to be £2.049m at the end of the year. The Housing Capital Plan forecast expenditure is £5.4m. Any slippage in the capital plan will be rolled forward into the Housing Capital Plan for 2016/17.

Treasury Management – At the end of February the council's borrowing totalled £190.165m at an average rate of 4.95%. Investment balances were £12m at an average rate of 0.61%.

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 was considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Specific proposals were reviewed by scrutiny committees and there was a public engagement exercise to consider the impact of budget proposals. The council consulted its partners through the joint Local Service Board and specific discussions took place with the Police. All members of staff were kept informed during 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 were consulted through the 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.