

Report To: Cabinet

Date of Meeting: 24th May 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 2016/17. 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 and confirm the agreed service budgets for 2016/17.

3. What are the Recommendations?

Members note the budgets set for 2016/17 and progress against the agreed budget strategy.

4. Report details

The report provides a summary of the council's revenue budget for 2016/17 detailed in **Appendix 1**. The council's net revenue budget is £185.062m (£184.756m in 15/16). At this stage of the year there are no variances to report. More detail will be available in the next report when the impact of the 2015/16 year-end position has been finalised.

Savings of £5.2m were agreed as part of the budget and a summary of the savings is shown as **Appendix 2**. Progress on the achievement of these savings will be monitored closely over the coming months, however there is a high degree of confidence that the majority of these savings will be achieved (91% of savings were achieved in full in 2015/16, with the remaining 9% projected to be achieved in 2016/17). An initial assessment of the 2016/17 savings will be provided in next month's report.

In response to a number of queries from Members during the 2016/17 budget process a short paper has been included as **Appendix 4** which aims to provide the background on the Welsh Government revenue grant funding position and an update on the revenue grants due to be received in 2016/17.

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?

At this stage there are no variances to report. The 2015/16 outturn position is being finalised and will inform the Final Outturn report presented to Cabinet in June.

Although there are no specific variances to report it is anticipated that services will need to identify management action in order to contain the following pressures within the overall budget:

- School Transport - the new policy applicable from September 2015, which was intended to resolve the ongoing budget pressure in this area, has been the subject of a number of appeals around the application of the policy. The resolution of the issues will involve an increase in ongoing School Transport costs as well as one-off specific legal costs.
- North and Mid Wales Trunk Road Agency contract - 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.
- Community Services – inflationary pressures such as the implementation of the statutory National Living Wage (NLW) will result in an increase in care home fees. Although it is hoped the pressure in 16/17 can be contained within existing budgets and through the use of reserves, the annual increase in NLW will cause a significant pressure in future years.
- Schools – Although schools received protection of 1.85% (£1.173m) they have also had to find efficiency savings to fund inflationary pressures of approximately £2.5m. It is likely that the reduction in School's balances seen during 2015/16 will therefore continue in 2016/17. Schools will be supported during this process to help deliver long term balanced budgets.
- There also remains a number of demand-led and therefore volatile budgets such as Children's placements and Winter Maintenance. Reserves have been put in place to help manage annual variances, however they remain areas of risk in 16/17 and beyond and will be monitored closely.

However services also have a healthy specific reserves and have been allowed to carry forward significant service underspends which will be detailed in full in the Final Outturn Report for 2015/16. Also as part of the 16/17 budget process a one-year budget delivery contingency of £486k was set aside to mitigate the risks to the delivery of the budget including any delays in achievement of efficiency savings.

Corporate – The Medium Term Financial Plan (MTFP) includes a savings target of £1m for 2017/18. It is likely that some of these savings will be identified and achieved during 2016/17. Progress will be reported to Members during the coming months.

The **Housing Revenue Account (HRA)** is currently being reported as per the agreed Budget, approved by Cabinet in February 2016. Any change in the projected 2015/16 surplus may affect the projected balance at year end of £2.3m. The final position will be reported in the 2015/16 Final Outturn Report. The Capital budget of £11.8m is allocated between planned improvements to existing housings stock (£8m) and new build developments (£3.8m).

Treasury Management – At the end of April, the council's borrowing totalled £190.165m at an average rate of 4.95%. Investment balances were £3.3m at an average rate of 0.34%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £27.9m. Also included within Appendix 3 is the proposed expenditure of £31m on the **Corporate Plan**. The Corporate Plan is progressing well and will be reviewed over the next few weeks to take account of the final year-end position which will be reported on in June.

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

An EqIA has been completed for all relevant proposals included in the 2016/17 Budget.

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 regular budget workshops held with elected members to examine service budgets and consider the budget proposals. The council has consulted its partners through the joint Local Service. 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.

Specific pressures are evident in social care budgets but will be contained in the current year and considered as part of the budget process for 2017/18.

Forecasts indicate school balances will continue to decline and the position will be kept under close review.

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

This remains a challenging financial period 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.