Report To:	Cabinet
Date of Meeting:	18th July 2017
Lead Member / Officer:	Cllr Julian Thompson-Hill / Richard Weigh, Head of Finance
Report Author:	Steve Gadd, Chief Accountant
Title:	**Finance Report (June 2017/18)**

1. What is the report about?
The report gives details of the council's revenue budget and savings as agreed for 2017/18. 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 2017/18.

3. What are the Recommendations?

3.1 It is recommended that Members note the budgets set for 2017/18 and progress against the agreed strategy.

3.2 It is recommended that Cabinet approve the transfer of £653k from the Corporate underspend to the new Corporate Priorities Reserve in order to help the initial delivery of the new Corporate Priorities that are currently being developed.

4. Report details
The report provides a summary of the council's revenue budget for 2017/18 detailed in **Appendix 1**. The council's net revenue budget is £189.252m (£185.062m in 16/17). The position on service and corporate budgets is a forecast underspend of £0.432m. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6.

Service efficiencies of £0.902m were agreed as part of the budget. These efficiencies form part of 'business as usual' for services and therefore it is assumed that all efficiencies will be delivered. Any exceptions will be reported to Cabinet if required.

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?
Although at this stage there aren't many variances to report it is anticipated that a number of risks will need to be monitored carefully including:

- **School Transport –** although a pressure of £0.300m was included in the budget for 2017/18, the effects of the implementation of the new policy will need to be monitored carefully throughout the year.
- **Social Care –** Both Childrens' and Adult's Social Care significantly overspent in 2016/17 due to a combination of ongoing demographic demand and inflationary pressures alongside adverse volatility in case numbers which varies year on year. Although significant resources have been invested in Community Support Services in particular both areas remain a cause for concern and will be monitored closely throughout the year.
- There also remains a number of demand-led and therefore volatile budgets such as **Out of County Placements** and **Winter Maintenance**. Reserves have been put in place to help manage annual variances, however they remain areas of risk in 17/18 and beyond and will be monitored closely.

Customers, Communications and Marketing is currently projected to overspend by £154k. The pressure is largely due to higher than anticipated relief costs and additional IT costs. The service is currently working to identify cost savings in order to reduce the overspend.

Corporate – A review of all contingencies and inflation held centrally has been undertaken in order to identify if funds could be released to help provide an initial reserve of cash to help initial delivery of the new Corporate Priorities that are currently being developed. An initial target of £1m was identified, £347k of which had been identified from the winding up of the Modernisation Board and its unrequired cash reserves. It can now be confirmed that the additional £653k can be allocated from the corporate review. A further £154k has been identified to fund the current level of service overspends which would otherwise need to be funded from additional allocations from balances. It is the view of the Chief Finance Officer that the level of contingencies that remain provide the Council with an appropriate level of flexibility to cope with the financial risks the Council faces in 2017/18. The contingencies released relate largely to a decrease in historic pension liabilities and a reduction in the number of cases funded from the Council Tax Reduction Scheme. It is recommended that £653k of the underspend be transferred to the new Corporate Priorities Reserve.

Schools – Although schools received protection of 1.85% (£1.173m) for 2016/17 they also had to find efficiency savings to fund inflationary pressures of approximately £2.5m. Schools had a net deficit balance of £1.056m last financial year which represented a reduction of £2.618m on the balances brought forward from 2015/16 (£1.562m). Initial assessments of projected balances show that at the end of June the projection for school balances is a net deficit balance of £1.347m, which is a reduction of £0.291m on the balances brought forward from 2016/17. Schools continue to work closely with Education Finance colleagues on detailed financial plans for the new academic year and over the following two years to deliver long term balanced budgets. Schools received total funding of £2.1m for 2017/18 which is more than both inflation and demographic growth and it is hoped the financial position for most schools will be consolidated during 2017/18, however the position will be monitored closely and reported to Members.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £315k which is in line with the budgeted decrease of £315k. HRA balances are therefore forecast to be £2m at the end of the year. The Capital budget of £10.1m is allocated between planned improvements to existing housings stock (£6m) and new build developments (£4m).

Treasury Management – At the end of June, the council's borrowing totalled £196.726m at an average rate of 4.65%. Investment balances were £3.5m at an average rate of 0.19%.

A summary of the council's **Capital Plan** is enclosed as Appendix 2. The approved capital plan is £40m with expenditure to date of £5m. Also included within Appendix 2 is the proposed expenditure of £17.469m on the Corporate Plan. Appendix 3 provides an update on the major projects included in the overall Capital Plan.

7. What are the main conclusions of the Well-being Impact Assessment?

A Wellbeing Assessment was completed for the efficiency savings element of the budget proposals and was presented to Council on 31st January. The Assessment concluded that the efficiency proposals are either positive or neutral when assessed against the seven wellbeing goals.

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. There were regular budget workshops held with elected members to examine service budgets and consider the budget proposals. 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 (both Adults' and Children's) but due to the investment in service pressures and the re-imbursement of service reserves at year end it is hoped that these pressures will be contained in the current year. The position for both service will be monitored carefully and further considered as part of the budget process for 2018/19.

Forecasts indicate the position with school balances will begin to stabilise however the position will be kept under close review. Not only are Education Finance working closely with schools to help develop robust plans, but chief and senior officers in Education and Finance meet regularly to review those plans and take remedial action if necessary.

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.