

Report To: Cabinet

Date of Meeting: 26th September 2017

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (August 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?

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

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 £0.002m (underspend of £0.432m as at the end of June). 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?

Significant service narratives explaining variances and risks are shown in the following paragraphs.

Customers, Communications and Marketing is currently projected to overspend by £106k (£154k last month). The pressure is largely due to higher than anticipated relief costs and additional IT costs. The reduction in the overspend relates to active vacancy management by the service and the agreement of corporate budget contributions for

elements of the IT overspend that benefit the council as a whole. The service continues to work to identify cost savings in order to reduce the overspend further.

Community Support Services is still projected to break-even. However as indicated in previous reports this is after additional budget of £750k being allocated during the 17/18 budget process, £633k additional Welsh Government funding, £500k additional one-off income relating to deferred income and £1.5m use of service reserves. Overspends within the Mental Health Service and In-House Provider Services are greater than anticipated and remain an area of concern for 18/19 and beyond. These pressures are being considered as part of the 18/19 budget process.

Education and Children's Service is currently projected to overspend by £196k. Although a specific variance was not reported last month, Children's Services was highlighted as an area of high risk due to the volatility in case numbers and inflationary pressures on placement costs. Each individual placement can be extremely expensive so any increase in numbers can have a large effect on the budget. The total overspend against Children's Services base budget is £968k, however this is partly offset by a planned use of the Placement Reserve which was put aside from Corporate resources at year end last year (£522k) and a further cash contribution from Corporate Contingencies of £250k for a particularly expensive and sensitive case involving children in remand centres. The balance of £196k is now being recorded as an overspend. A number of cases are currently being assessed and it is likely that the overspend will increase. The pressure in this area is also being discussed as part of the 2018/19 budget process.

Legal, HR and Democratic Services is showing a small underspend of £8k due to a number of small variances (break-even position last month).

Highways and Environment is currently projected to overspend by £162k (break-even last month). The majority of overspend (£147k) relates to a projected shortfall in income for the Major Projects team. This has been issue over recent years (£45k overspend last year) but has been contained within the service's budget allocation. The main reason for the income shortfall relates to the amount of work and reimbursement coming from the North and Mid Wales Trunk Road Agency (NMWTRA). Although a pressure of £0.300m was included in the budget for School Transport for 2017/18, the effects of the implementation of the new policy will need to be monitored carefully throughout the year and will be reported on in future reports.

Corporate – It is currently estimated that corporate contingencies will be available to be released to fund the service overspends. This will mean that we don't have to use more than the level of Balances included in the budget. However it remains a possibility that further service overspends will require a contribution from the base level of Balances. Also a large underspend £1.8m is likely to be recorded over the coming months if the revised Minimum Revenue Position Policy is agreed for 2017/18 by Cabinet (on this meeting's agenda) and Council (due to go in October). However this underspend will be used to fund the Budget Mitigation Reserve to help decrease the savings that services need to make in 2018/19 and is already assumed in the 2018/19 budget proposals.

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). At the end of August the projection for school balances is a net deficit balance of £1.118m, which is a small reduction of £0.062m 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 continue to be consolidated during 2017/18, however the position will be monitored closely and reported to Members. Non-delegated school budgets are currently underspending by approx. £60k due to the reduction in historic pension liabilities relating to the period of Clwyd County Council.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £932k which is £617k more than the budgeted decrease of £315k which is largely due to an increase in investment in Repairs and Maintenance. HRA balances are therefore forecast to be £1.615m at the end of the year. The Capital budget of £10.15m is allocated between planned improvements to existing housings stock (£6m) and new build developments (£4m).

Treasury Management – At the end of August, the council's borrowing totalled £195.287m at an average rate of 4.66%. Investment balances were £5.2m at an average rate of 0.1%.

A summary of the council's **Capital Plan** is enclosed as Appendix 2. The approved capital plan is £44.5m with expenditure to date of £11.5m. 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-imburement 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.