

Report To: Cabinet

Date of Meeting: 21st November 2017

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (October 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?

The following actions are recommended:

- 3.1 Cabinet Members note the budgets set for 2017/18 and progress against the agreed strategy.
- 3.2 Cabinet Members approve the transfer of the £35k underspend within the Business Improvement and Modernisation service to the EDRMS Reserve in order to help extend the digitisation project.
- 3.3 Cabinet Members support the submission of a Full Business Case for Ysgol Llanfair new school building and facilities to the Welsh Government (see Appendix 4).

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 overspend of £0.002m (overspend of £0.002m as at the end of August). 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 £125k (£106k when last reported in September). The pressure is largely due to higher than anticipated relief costs and additional IT costs. The increase in the overspend relates mainly to an increase in costs associated with the St Asaph Library refurbishment. The service continues to work to identify cost savings in order to reduce the current overspend.

Business Improvement and Modernisation is now projected to underspend by £35k (break-even in the last report). The underspend is partially due to vacancy savings and also a higher than anticipated income for the Project Management Team. It is recommended that the underspend is placed in the EDRMS Reserve in order to help extend the digitisation project.

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 £1.1m 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 £566k (£196k overspend reported to September Cabinet). As indicated in the last report a number of cases were being assessed and it was highlighted that the overspend was likely to increase as those were settled. Children's Services continues to be 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 currently £1,265k overspent (£968k in September's Report), however as in previous reports 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 £177k for a particularly expensive and sensitive case. The pressure in this area is also being discussed as part of the 2018/19 budget process.

Legal, HR and Democratic Services is showing an underspend of £29k due to a number of small variances and vacancy savings across the service (£8k underspend reported at last Cabinet meeting).

Highways and Environment is currently projected to overspend by £231k (overspend of £162k at the last Cabinet meeting).

The majority of overspend (£164k – an increase of £17k from that reported in September) 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 re-imburement 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, it has always been accepted that the effects of the implementation of the new

policy would need to be monitored carefully throughout the year. The School Transport budget is currently projected to overspend by £40k following a full review of the contracts agreed for the new school year which started in September.

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 an unbudgeted contribution from the base level of Balances.

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 £900k which is £585k 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 £1.647m at the end of the year. The Capital Budget of £10.15m is allocated between planned improvements to existing housings stock (£6m) and acquisitions and new build developments (£4m).

Treasury Management – At the end of October, the council's borrowing totalled £198.959m at an average rate of 4.59%. Investment balances were £4m 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 £41.4m with expenditure to date of £18.8m. Also included within Appendix 2 is the proposed expenditure of £16.8m on the Corporate Plan. **Appendix 3** provides an update on the major projects included in the overall Capital Plan.

In January 2017, Cabinet supported the recommendation for the submission of a combined Strategic Outline Case/Outline Business Case for a replacement building and facilities for Ysgol Llanfair to the Welsh Government. This was considered by the Welsh Government in September 2017 and permission to submit the Full Business Case was received in October 2017. The proposed scheme would see the development of a new school to accommodate 126 full time pupils and 18 part time pupils. The latest estimated cost is £5.4m. The Strategic Investment Group reviewed the full business case on 24th October 2017 and have recommended that Cabinet

supports the submission of a Full Business Case for Ysgol Llanfair new school building and facilities to the Welsh Government. The Full Business Case is included as **Appendix 4**.

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 are currently being 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.