

Report To: Cabinet

Date of Meeting: 23rd January 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (December 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 Cabinet 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 forecast to break-even due to the use of corporate contingencies. 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 £126k (£128k reported last month). The pressure is largely due to higher than anticipated relief costs and additional IT costs.

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 have been considered as part of the 18/19 budget process and proposals to recognise these pressures are included in the budget report also on this agenda.

Education and Children's Service is currently projected to overspend by £570k (£559k overspend reported last month). The slight increase from last month relates to an increase in out of county placement costs due to previously unreported disputed invoices now being included in the outturn projection. 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. However the projected outturn includes all current out of county placements predicted to realistic timeframes. The total overspend against Children's Services base budget is currently £1,224k overspent (£1,213k in November'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 £132k for a particularly expensive and sensitive case involving children in remand centres. The pressures in this area have been considered as part of the 18/19 budget process and proposals to recognise these pressures are included in the budget report also on this agenda.

Legal, HR and Democratic Services is showing an underspend of £18k due to a number of small variances and vacancy savings across the service (£25k underspend last month).

Highways and Environment is currently projected to overspend by £247k (£239k at the last Cabinet meeting).

The majority of overspend (£154k) 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-imbursement 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 £62k following a full review of the contracts agreed for the new school year which started in September.

It is currently projected that the effects of the recent winter weather on the winter maintenance budget can be contained within existing resources, although as ever this remains a volatile budget which will be monitored closely over the remaining months. Minor overspends across the service account for the residual variance.

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 December the projection for school balances is a net deficit balance of £1.218m, which is a further reduction of £0.162m 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 additional 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 £63k 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 £935k which is £620k 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 £1.613m 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 December, the council's borrowing totalled £203.96m at an average rate of 4.49%. Investment balances were £6.4m at an average rate of 0.29%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 2**. The approved capital plan is £39.2m with expenditure to date of £24.5m. 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.

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). However the effects of these in year pressure have been funded by the investment in service pressures during the 18/19 budget, the re-imburement of service reserves at year end and the release of corporate contingencies to match any remaining overspend. The position for both services are being monitored carefully and have been considered as part of the budget process for 2018/19. Budget Workshops in the Autumn explained the position for these service to all DCC Members who attended and pressures are included in the budget proposals that form part of the Budget Reports also on this agenda.

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.