

Report To: Cabinet

Date of Meeting: 24<sup>th</sup> April 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: Finance Report (March 2017/18)

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**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). Service and Corporate budgets are currently forecast to be underspent by £889k (£239k last month).

The majority of the movement from last month (£530k) relates to budgets held corporately, in particular:

- Contingencies that have been held corporately for service pressures that have not been required or have been less than projected.
- Figures received at year end from Clwyd Pension Fund have shown a greater than expected decrease in historic pension costs (relating to the council's share of the historic liabilities of Clwyd County Council). Although individual pension payments in this area continue to increase, the number of people claiming decreases as time progresses.

As highlighted last month, if the position on service and corporate budgets remains underspent then consideration should be given as to how the council should utilise the net underspend. Options include:

1. Increase the Corporate Priorities Reserve to help deliver priorities.
2. Contribute to Budget Mitigation Reserve to help mitigate the impact of cuts to services in 19/20.
3. To help replenish reserves that have been used due to the recent adverse weather – the overall impact is not fully known at the point of writing this report as the council has sought additional funds from Welsh Government.

The details and assumptions around service budgets remain largely as reported last month and the main narrative supporting this assessment is included as **Appendix 2**. However £120k of the change from last month relates to Property Services within Facilities Assets and Housing due largely to the severe weather in March which resulted in a delay in planned maintenance works. Finance are currently working hard to close down the financial accounts for 2017/18 and there remain a number of uncertainties which may effect the financial outturn. The main elements are highlighted below:

- Council Tax Yield – the final figures for Council Tax yield are yet to be known and reported, however indications are that performance in the area of Council Tax Collection will continue to improve, resulting in greater than anticipated funding.
- A number of provisions are under consideration with advice from Welsh Audit Office. These largely revolve around contract disputes and service restructures resulting in possible exit costs. These items could amount to approximately £150k.
- Although Welsh Government have indicated that funds will be available to help part fund the pressures relating to the recent severe weather events, we have still received no confirmation.

**Schools** – At the end of March the projection for school balances is a net deficit balance of £0.844m, which is an improvement of £0.212m on the balances brought forward from 2016/17. The improved financial position for schools was expected following the recent announcement by the Cabinet Secretary for Education that additional Welsh Government funding (£484k allocated to Denbighshire) had been made available to schools to help with maintenance costs incurred during 2017/18. The aim was to reimburse schools for maintenance related costs so the funding could be redirected to front line services during next financial year. As highlighted last month it was therefore expected that year end school balances would benefit as the grant was to be applied to expenditure already incurred in Schools.

Non-delegated school budgets are currently underspending by £146k (£79k last month) due to the reduction in historic pension liabilities relating to the period of Clwyd County Council.

**Treasury Management** – At the end of March, the council's borrowing totalled £206.192m at an average rate of 4.41%. Investment balances were £12.6m at an average rate of 0.28%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved capital plan is £39.2m with expenditure to date of £37m. Also included within Appendix 3 is the planned expenditure of £16.645m on the Corporate Plan. **Appendix 4** provides an update on the major projects included in the overall Capital Plan.

**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?**

Costs and implications are included in the Report Details (Section 4) and Appendices 1-4.

**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 31<sup>st</sup> 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 17/18 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 funding pressures were agreed at Council on the 30th January. Further work is ongoing to assess the financial implications of these pressures on the Medium Term Financial Plan.

The position with School Balances will be monitored closely and continue to be reported to Members on a monthly basis. 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. The recent budget agreed by Council for 2018/19 included a total investment in schools delegated budgets of £1.8m.

**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.