

Report To: Cabinet

Date of Meeting: 22nd May 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (April - including Budget Summary Book 2018/19)**

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2018/19. 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 2018/19.

3. What are the Recommendations?

It is recommended that

- i) Members note the budgets set for 2018/19 and progress against the agreed strategy.
- ii) Members approve the use of a £1.2m one off Welsh Government capital grant on the priority highways schemes as outlined in the report and included in the Business Case (**Appendix 3**).

4. Report details

The Budget Summary Book for 2018/19 has been included as **Appendix 1** which provides details of the council's revenue budget including departmental budget summaries, an update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan. The council's net revenue budget is £194.418m (£189.252m in 17/18).

The 2018/19 budget required savings and efficiencies of £4.6m to be identified and agreed. The table below gives a break-down of how the savings target was achieved. It can be confirmed that the £2m due to changes in the Minimum Revenue Provision and the £1m from wider corporate savings have both already been achieved. Service efficiencies of £1.2m and savings of £0.4m were agreed as part of the budget and are shown as **Appendix 2**. As the efficiencies form part of 'business as usual' for services it is assumed these will all be delivered. Any exceptions will be reported to Cabinet if required. The service savings will be monitored closely over the coming months and progress reported to Cabinet.

Savings/Efficiencies Agreed for 2018/19	£000	%age
Changes to Minimum Revenue Provision	2,000	43%
Corporate Savings identified in 2017/18	1,000	22%
Service Efficiencies (see Appendix 2)	1,200	26%
Service Savings (see Appendix 2)	411	9%
Grand Total	4,611	100%

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 are no variances to report it is anticipated that a number of risks will need to be monitored carefully.

- **School Transport** – the service will be allocated additional funds following a full year of operating the revised transport policy. This will be sufficient to deliver the service for an average number of days per academic year. Any impact of in year price rises will not be known until the contracts for the 2018/19 academic year have been finalised in September.
- **Social Care** – Both Children's and Adult's Social Care significantly overspent again in 2017/18 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 both services (£0.750m pressures included for each service in the 2018/19 agreed budget) 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 Education 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 18/19 and beyond and will be monitored closely.
- **Schools** - The position with School Balances will continue to be carefully monitored and 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 additional investment in schools delegated budgets of £1.8m. The latest projection for school balances carried forward into 2018/19 is a net deficit balance of £0.343m, which is an improvement of £0.713m on the balances brought forward from 2016/17. Although the majority of the improvement is due to one-off Welsh Government grant received at year end, the position does show a welcome consolidation by schools.

Future reports will contain updates on the **Capital Plan**, however the Council recently received a **Highways Refurbishment Capital Grant** from the Welsh Government of £1,204,380. This grant is a one off grant which can be used in either 2017-18 or 2018-19.

A report was presented to Cabinet Briefing on 5 March 2018 detailing the potential schemes which could be funded through this grant and requested that the Heads of Service for Highways & Environment and Planning & Public Protection jointly agree a prioritised list of schemes for review by the Strategic Investment Group. The following priority schemes which could be delivered in 2018-19 with the £1.2m available funding were agreed.

Priority 1: A525 Marsh Road/Vale Road junction in Rhyl - This involves re-surfacing and replacement of existing traffic signal equipment.

Priority 2: A525 from the roundabout by St Asaph Cathedral up to Ysgol Glan Clwyd - This will involve re-surfacing works.

Priority 3: Castle Street in Llangollen - Highway improvements to the carriageway and footways.

Priority 4: A525 Dual Toucan Crossing near Clwyd Retail Park, Rhyl – Replacement of signal controlled crossing.

The Strategic Investment Group have reviewed these proposals and recommend approval to Cabinet. The **Business Case** is included as **Appendix 3**, the **Well-being Impact Assessment** as **Appendix 4** and the **Grant Award Letter** as **Appendix 5**.

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

Well-being Impact Assessments for the savings included in Appendix 2 and the Council Tax rise was presented to Council on 30 January. An assessment for the MRP policy change was included in the report to Council in September 2017. The full Well-being Impact Assessment for the proposals for utilising the £1.2m capital grant is included as Appendix 4. The assessment concludes that the proposals are essentially a like for like replacement of the existing highway infrastructure however every effort will be taken to enhance mobility provision, minimise disruption and use local labour.

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 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 2019/20.

Forecasts indicate school balances will continue to consolidate 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.