

Report To: Cabinet

Date of Meeting: 26<sup>th</sup> June 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: Finance Report (2017/18 Financial Outturn)

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**1. What is the report about?**

Cabinet has received regular monitoring reports throughout the financial year on the performance of expenditure against budget and savings agreed as part of the Medium Term Financial Plan. This report details the final position at financial year end.

The first draft of the Annual Statement of Accounts for 2017/18 will be submitted to the external auditors by 15th June. The audited accounts will then be presented to the Corporate Governance Committee in September for formal approval.

**2. What is the reason for making this report?**

To report the final revenue position and approve the proposed treatment of balances.

**3. What are the Recommendations?**

Cabinet Members are recommended:

- i) To note the final revenue outturn position for 2017/18
- ii) To approve the proposed treatment of reserves and balances as described in the report and detailed in Appendices 1, 2 and 3
- iii) To note the details of transfers to and from Earmarked Reserves as set out in Appendix 4

**4. Report details**

The final Revenue Outturn figures are detailed in Appendix 1, along with the proposed treatment of service year end balances. The final position on service and corporate budgets (including schools) is an underspend of £1.244m (0.7% of the net revenue budget). The main areas to note are reported below:

**Schools** - Although it remains a difficult financial period for schools, investment in school budgets in 2017/18 which more than funded inflationary pressures and the close working relationship between the Council and schools in producing robust 3 year financial plans, has resulted in an improved financial position for schools with schools reporting an in year underspend of £0.713m resulting in reduced net deficit position of £0.343m (down from £1.056m last year). 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. Currently there are 21 schools with deficit balances (26 last year), all of which continue to work closely with finance colleagues to develop and agreed action plan. Inflationary pressures for 2018/19 are more than accounted for in total investment of £1.8m included in the recent

budget agreed by Council and it is hoped the financial position for most schools will continue to be consolidated during 2018/19. Individual school balances are detailed in Appendix 3.

**Community Support Services** – although the service is showing as break-even this is, as indicated in previous reports, after additional budget of £750k being allocated during the 17/18 budget process, £1m additional Welsh Government funding (which now includes an additional £367k one-off funding for winter care pressures), £165k additional one-off income relating to deferred income and £0.546m use of service reserves. Overspends within the Community Care Service (including Community Living Schemes), Mental Health Services and In-House Provider Services are greater than anticipated and remain an area of concern for 18/19 and beyond. These pressures were considered as part of the 18/19 budget process 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.

**Education and Children's Service** – the service has a net overspend of £460k (£486k overspend reported in March). 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 £982k, however as reported 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). The pressures in this area were considered as part of the 18/19 budget process 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.

**Highways and Environment Services** overspent by £251k. As reported in the monthly Finance Report the majority of the overspend (£165k) relates to a projected shortfall in income for the Major Projects team. 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 £75k following a full review of the contracts agreed for the new school year.

It can now be confirmed that the effects of the late winter weather on the winter maintenance budget was contained within existing service resources including the use of the severe weather reserve (£127k) and a specific grant allocation of £100k from Welsh Government.

**Finance, Assets and Housing** has underspent by £263 due to back-dated windfall income relating to a mobile phone mast on the Skytower in Rhyl, the early achievement of 2018/19 saving commitments and a number of invoices within property being less than predicted.

**Legal, HR and Democratic Services** was underspent by £33k due to a number of small variances and vacancy savings across the service.

**Business Improvement and Modernisation** underspent by £57k. The underspend is due vacancy savings and the early achievement of efficiency savings.

**Appendix 4** details the transfers to and from Earmarked Reserves in full. The majority of the movements have been budgeted for or have been approved in previous monitoring reports to cabinet, however the following year-end transactions should be noted and are recommended for approval:

- The following reserves have been set up within Community Support Services:
  - Social Care in Partnership
  - Social Service Improvement Agency
  - Safeguarding Business Unit
  - Delivering Transformation
  - Regional Commissioning Team

These reserves relate to pooled budgets for which Denbighshire is the accountable body. The balances constitute the total funds held for all member organisations (the 6 North Wales Local Authorities and Betsi Cadwaladr University Health Board).

The position on the yield from Council Tax is impacted upon by the number of dwellings in the County and the collection rate. The council has maintained a relatively high level of tax collection of 97.7% (97.7% last year). However the bad debt provisions at year end resulted in more costs being borne by the funding account and the decision has been taken not to bring down the £0.500m budgeted contribution from balances. The £0.500m will remain in general balances and will be available for budget mitigation, as originally approved by Council, in future years. As a consequence, the final net funding position is £124k lower than the original. This shortfall has been met by the underspend within Corporate revenue budget allocations as reported in previous months.

Given the overall position within services and the availability of corporate funds, it is proposed that services carry forward the net under spends listed as Committed Service Balances in **Appendix 1** to help deliver the 2018/19 budget strategy and meet existing commitments. In previous reports proposals for the use of service underspends have been included pending final figures amounting to £143k, additional proposals of £263k have now been put forward and require formal approval. **Appendix 2** summarises the service proposals.

**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?**

The council's net revenue budget for 2017/18 was £189m. The final position on service and corporate budgets was a net underspend of £1.244m (0.7% of the net budget). Taking account of funding, the variance on the total budget was an underspend of £1.119m. Where services have highlighted legitimate expenditure commitments against 2017/18 balances, it is proposed that those services carry the net balance forward to 2018/19. The position within each service and intended use of brought forward service balances will be reviewed during 2018/19.

**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 years.

The Council's record of delivery in identifying and achieving savings while managing reserves effectively strengthens the confidence that the council will continue to deliver effective services while delivering investment in the Corporate Plan during the difficult funding climate anticipated over the coming few years.

While the final position shows a modest underspend across services and schools, this includes the use of a number of specific reserves as noted within the report.

**10. What risks are there and is there anything we can do to reduce them?**

This remains the most challenging financial period the council has faced 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.