

Report To: Cabinet

Date of Meeting: 26th June 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (May - 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 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 2018/19 detailed in **Appendix 1**. The council’s net revenue budget is £194.418m (£189.252m in 17/18). The position on service and corporate budgets is a forecast overspend of £1.210m. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6.

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?

Significant service narratives explaining variances and risks are shown in the following paragraphs.

Customers, Communications and Marketing is currently projected to overspend by £50k. The pressure is largely due to higher than anticipated staff costs relating to maternity cover.

Highways and Environment is currently projected to overspend by £132k which relates to a projected shortfall in income for the Major Projects team. This has been an issue over recent years. 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). The following areas of concern should also be noted:

- **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.
- **Waste** – A number of pressures are effecting the Waste service and the issues have been raised at the Budget Board. The majority of the pressure relates to new contract fees for the co-mingled waste contract. The pressure in 2018/19 will be funded from the Waste Reserve and a budget pressure of £850k has been included in the Medium Term Financial Plan for 2019/20.

Education and Children's Service is currently projected to overspend by £1.027m. 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 projected outturn includes all current out of county predicted placements to realistic timeframes. Education Out of County placements and recoupment income is less than budgeted due to the decrease in the numbers of pupils from other Local Authorities attending the Council's special school provision. Both pressures were part funded last year through the planned use of specific reserves and were considered as part of the 18/19 budget process and a funding pressure of £750k was agreed at Council on the 30th January. The reported overspend includes this budget contribution and it is recognised that further work is required to assess the financial implications of these pressures on the Medium Term Financial Plan for 2019/20 and beyond.

Community Support Services is projected to break-even following an additional budget of £750k being allocated for 2018/19 and the planned use of reserves. Overspends within the Mental Health Service and In-House Provider Services remain areas of greatest pressure. The Medium Term Financial Plan includes an assumed budget requirement of an additional £500k per year although further work is ongoing to assess the full financial implications and the identification of actions to help mitigate the effect of these pressures.

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 level of school balances carried forward into 2018/19 is a net deficit balance of £0.343m, which was an improvement of £0.713m on the balances brought forward from 2016/17. The position for schools will be reported in detail next month when schools have had chance to finalise their budget positions for the new academic year in September.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £630k which is in line with the budgeted decrease. HRA balances are therefore forecast to be £1.572m at the end of the year. The Capital budget of £10.2m is allocated between planned improvements to existing housings stock (£6m) and new build developments (£4m).

Treasury Management – At the end of May, the council’s borrowing totalled £215.192m at an average rate of 4.39%. Investment balances were £16.6m at an average rate of 0.27%. As highlighted in recent Treasury Management Strategy and update reports the Council has followed a policy of temporary borrowing in order to fund expenditure as and when required, pending the decision to borrow long term in order to lock in the benefits of the historically low interest rates. In consultation with our Treasury Management Consultants this decision was taken over the past couple of months. The following two loans were therefore recently taken out:

- £10m loan out on 09/05/18 at a rate of 2.08% over 15 years on an EIP basis.
- £10m loan out on 31/05/18 at a rate of 1.92% over 15 years on an EIP basis.

A summary of the council’s **Capital Plan** is enclosed as **Appendix 3**. The approved capital plan is £53.4m with expenditure to date of £3.74m. **Appendix 4** 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?

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 remain evident in social care budgets (both Adults' and Children's) despite additional investment of £1.5m in total for 2018/19. The position for both services will be monitored carefully and further considered as part of the budget process for 2019/20.

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.

A budget pressure of £850k has been included in the MTFP for Waste services for the 2019/20. As Members are aware work is ongoing to identify alternative service models which may help to alleviate the effects of this pressure.

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.