

Report To: Cabinet

Date of Meeting: 25th September 2018

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (August - 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?

The following actions are recommended:

- 3.1 Cabinet Members note the budgets set for 2018/19 and progress against the agreed strategy.
- 3.2 Cabinet Members approve the writing off of an historic debt amounting to £26k.

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 £0.811m (overspend of £1.210m in last report). 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 £49k (£50k reported in June). The pressure is largely due to higher than anticipated staff costs relating to maternity cover.

Highways and Environment is currently projected to overspend by £98k (£132k reported at last Cabinet) 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 reduction from the last report relates to a planned reduction in agency staff costs. 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 and reported to Cabinet in October.
- **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. A detailed review of the service saving HES SP001: Deliver Trade Waste service via external contractor is currently being undertaken to assess whether the saving has been achieved in full.

Education and Children's Service is currently projected to overspend by £1.204m (£1.027m reported in June). The movement of £0.177 relates to the following areas:

- £34k increase in costs from a neighbouring Local Authority relating to 1 pupil
- Exit costs of £15k are now projected to be incurred due to the cutting of Welsh Government grant funding
- £98k relates to increases in fostering and remand costs within Children's Services
- £30k additional Home Tuition tutoring costs as a result of a tribunal decision relating to one case.

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. At the end of August the projection for school balances is a net deficit balance of £0.957m, which is an increase in the projected deficit of £0.614m on the balances brought forward from 2016/17. The non-delegated budget is currently projected to underspend by £52k due to an underspend on ICT contracts.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £795k which is £165k more than the budgeted decrease of £630k. 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).

Corporate – It is currently estimated that corporate contingencies amounting to £500k will be available to be released to help fund the service overspends. This will mean that we will limit the level of Balances that need to be utilised.

Treasury Management – At the end of August, the council's borrowing totalled £208.753m at an average rate of 4.49%. Investment balances were £5.6m at an average rate of 0.54%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved capital plan is £55.8m with expenditure to date of £13.5m. **Appendix 4** provides an update on the major projects included in the overall Capital Plan.

Other Issues - The Authority was owed for an over claimed grant and for works to a property dating back to 2011. Although payments have been made against the debt there is still a balancing owed of £26,481.43. Every effort has been made to recover the debt but it is now recognised that no further monies will be received and the debt is now recommended to be written off. Due to the age of the debt, Finance have for a number of years provided for this debt in full. This means that writing the debt off will

have no impact on the revenue budget as the debt can be written off against the provision. This debt exceeds the £20k delegated limit for the Section 151 Officer to approve and therefore needs Cabinet approval.

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.

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 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.