

Report To: Cabinet

Date of Meeting: 30th April 2019

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

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (March - 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 note the proposed use of service carry forwards.

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 underspend of £0.287m (overspend of £0.487m in last report). It should be noted that this report is being produced during closedown of the 2018/19 accounts, which is the priority for Finance during April. Figures may change between now and Final Outturn as outlined in Sections 6 along with reasons for the movement from last month.

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 underspend by £41k (£31k underspend reported last month). The underspend relates largely to a delay in procuring new book deposit kiosks which will now take place early in the new financial year. The service hopes to carry forward £20k in order to pay for this expenditure. The service also hopes to carry forward the remaining expenditure to help fund exit costs relating to the ending of grant funded activities.

Business Improvement and Modernisation is now projected to underspend by £70k (£92k last month). The movement relates to the accrual of exit costs which had been predicted to be agreed after 31st March. The service wishes to carry forward underspend to fund the following commitments:

- £33k to fund transitional restructure costs within ICT to facilitate 19/20 savings.
- £9k relating to facilitating the Archives merger and clearing archiving backlog.
- £18k to fund exit costs to achieve future savings
- £10k for extending maternity cover and audit training

Legal, HR and Democratic Services is currently projected to underspend by £65k (£110k underspend last month) largely due to staff vacancies which will contribute to the services saving proposals for next financial year. The service hopes to carry forward the underspend in order to extend the implementation of the Electronic Document and Records Management project, to provide necessary IT investment for the Council Chamber and to help fund further service improvements.

Highways and Environment is currently projected to overspend by £560k (£757k reported last month). Previous monthly reports have detailed the ongoing pressures within School Transport, Streetscene and Waste services, and how these pressures have been dealt within in the Medium Term Financial Plan. The improved position from last month relates to increased income relating to the Major Projects team (eg North and Mid Wales Trunk Road Agency) amounting to £116k and reduced costs within Streetscene largely due to the timing of costs relating to the Legacy Tips issue.

Education and Children's Service is currently projected to overspend by £1.125m (£1.469m reported in March). The main reasons for the decrease in overspend relates to staff vacancies, release of provisions and maximisation of grant funding. 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. The reported overspend takes account of a £750k budget contribution agreed as part of the 18/19 budget process. The financial implications of these pressures on the Medium Term Financial Plan for 2019/20 have been considered and an additional base budget allocation of £1.5m has been approved as part of the budget proposals recently agreed by Cabinet and Council.

Facilities Assets and Housing is projected to overspend by £44k (£44k overspend reported last month) largely due to an increase in the projected set up costs relating to the SC2 project. The total pressure of £277k has been mitigated by the service through the proposed re-focusing of £138k carried forward from 17/18 and the allocation of funds from the income received from the Alliance Leisure Procurement Framework Agreement. Further work will continue to review of all commitments and maintain close control of spend by the Head of Service with the aim to reduce the overspend by the end of the year.

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 (amounting to a further £1.050m contribution in 2018/19). The recent budget proposals approved by Cabinet and Council included an additional budget pressure of £500k for 2019/20 and the current assumption is that an equivalent pressure will be required in each of the 4 years of the Medium Term Financial Plan, although further work is ongoing to assess the full financial implications for future years.

Schools - Education and Finance continue to work closely with schools to help develop robust plans and chief and senior officers in Education and Finance meet regularly to review those plans and take remedial action if necessary. The 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 was a net deficit balance of £0.343m. At the end of March the projection for school balances is a net deficit balance of £0.810m, which is an increase in the projected deficit of £0.467m on the balances brought forward from 2017/18. The non-delegated budget is currently projected to overspend by £4k due to minor overspends.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £1.031m which is £401k more than the budgeted decrease of £630k. HRA balances are therefore forecast to be £1.171m 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 £1.84m will be available to be released to help fund the service overspends (£1.55m projected last month). The movement from last month largely relates to energy costs which are now known and the remaining inflation contingency can be released in year. Further work is ongoing during the coming week in areas, such as the Capital Financing Budget and the Council Tax Yield in order to help the overall in-year position.

Treasury Management – At the end of March, the council's borrowing totalled £228.136m at an average rate of 4.21%. Investment balances were £9.7m at an average rate of 0.55%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 2**. The approved capital plan and expenditure to date is £52.851m. **Appendix 3** 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.

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

Specific pressures remain evident in social care budgets (both Adults' and Children's) and School Transport despite additional investment in 17/18 and 18/19. Provision for these pressures have been included in the budget proposals that have recently been approved by Cabinet and Council and are being taking into account when developing the new Medium Term Financial Plan for 2020/21 and beyond.

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.