

Report To:	Cabinet
Date of Meeting:	25 th June 2019
Lead Member / Officer:	Cllr Julian Thompson-Hill / Richard Weigh, Head of Finance
Report Author:	Steve Gadd, Chief Accountant
Title:	Finance Report (May - including Budget Summary Book 2019/20)

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2019/20. 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 2019/20.

3. What are the Recommendations?

It is recommended that

- i) Members note the budgets set for 2019/20 and progress against the agreed strategy.
- ii) Members note the replacement savings identified within Highways and Environment Service.
- iii) Members approve the write-off of the National Non-Domestic Rates case as detailed in **Appendix 5**.

4. Report details

The Budget Summary Book for 2019/20 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 £198.538m (£194.418m in 18/19).

The 2019/20 budget required savings and efficiencies of £5.672m to be identified and agreed as detailed below:

- Corporate savings identified in 2018/19 (£0.5m)
- Schools savings of 2% (£1.32m)
- Service efficiencies and savings (£3.852m)

The table below gives a break-down of how the service efficiencies and savings target was achieved. The service savings will be monitored closely over the coming months and progress reported to Cabinet. Full details are included in Appendix 2.

Service Savings / Efficiencies for 2019/20	£000	%age
Alternative Service Delivery Model	873	23%
Change to service level received by public	247	6%
Increase in Fees & Charges or additional external income contribution	725	19%
Procurement	88	2%
Service Reduction/withdrawal	517	13%
Technical Budget Reductions – no effect on service levels	48	1%
Efficiency Saving	1354	35%
	3,852	

It should be noted that the £3.852m target included £42k which was yet to be identified as the initial proposal around changes to Winter Maintenance provision was unacceptable to Members. The service has worked hard to identify the following replacement items and, if approved, will replace the £42k going forward:

- Street works £19k – increasing charges by 7%
- Bus publicity £13k – Charge for printed bus timetables
- Temporary Bus Stops Closures £5k – Introduction of additional charge to utility companies when DCC are required to temporarily close/move bus stops at their request. This is to cover our costs.
- Bus Stop Maintenance £5k – Concentration on essential Health and Safety repairs

The Lead Member for the service has been involved in the identification of these savings. They are being reported to Cabinet Members as requested during the budget process – the nature of the decisions would not normally require Cabinet approval.

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 has been allocated £0.900m additional funds during the two previous budget rounds. This should be sufficient to deliver the service for an average number of days per academic year. However the service remains an area of concern and is very much linked to policy and service changes within Education.
- **Winter Maintenance** – The current budget, alongside the severe weather reserve, is sufficient to cope with a normal winter. Any severe weather is likely to require the identification of additional cash resources to cover the costs.
- **Waste Service** – The service is currently utilising the Waste Reserve in order to cope with significant service pressures relating to wider market conditions effecting the cost of contracts. This is only possible for one more year and a pressure of £0.9m has been included in the Medium Term Financial Plan for

2020/21. This will be monitored during the year in light of the effects of various projects and initiatives that are currently being reviewed.

- **Social Care** – Adult’s Social Care significantly overspent again in 2018/19 (funded from reserves) 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 the service it remains a cause for concern and will be monitored closely throughout the year.
- **Education and Childrens’ Service** - Out of County Placements significantly overspent last year and a pressure of £1.5m was allocated as part of the 19/20 budget process. It is hoped this significant investment (alongside the £0.750 allocated for 18/19) will improve the position but the service remains 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.
- **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 2019/20 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of just over £1m. The latest position for school balances carried forward into 2019/20 is a net deficit balance of £0.171m, which is an improvement of £0.172m on the balances brought forward from 2018/19. Although some of the improvement is due to one-off Welsh Government grant received at year end, the position does show a further welcome consolidation by schools.

Treasury Management – At the end of May, the council’s borrowing totalled £237.136m at an average rate of 4.11%. Investment balances were £12m at an average rate of 0.5%.

A summary of the council’s **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £42.45m with expenditure to date of £3.23m. Appendix 4 provides an update on the major projects included in the overall Capital Plan.

Appendix 5 provides details of a National Non-Domestic Rates write-off which is being recommended for approval. It is important to note that as the Business Rates income is passed over to the National Pool any bad debts are met by the pool, as such there is no cost to DCC.

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 29 January.

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), School Transport and Waste services but due to the investment in service pressures and the planned use of reserves it is hoped that these pressures will be contained in the current year. The position for all areas will be monitored carefully and further considered as part of the budget process for 2020/21.

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.