

Report To: Cabinet

Date of Meeting: 30th July 2019

Lead Member / Officer: Cllr Julian Thompson-Hill

Report Author: Steve Gadd, Chief Accountant

Title: **Finance Report (June 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 approve The Dell Apartments Development, Prestatyn, as recommended by the Strategic Investment Group and detailed in this report at Appendices 5 and 6.

4. Report details

The report provides a summary of the council's revenue budget for 2019/20 detailed in Appendix 1. The council's net revenue budget is £198.538m (£194.418m in 18/19). The position on service and corporate budgets is a forecast overspend of £0.912m. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6.

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 service savings will be monitored closely over the coming months and progress reported to Cabinet. Full details are included in Appendix 2.

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.

Social Care – Adult’s Social Care is currently projected to overspend by £506k. This projection assumes that the remaining service reserve of £821k is applied in year (total gross pressure is therefore £1.3m). The service significantly overspent in 2018/19 (funded from reserves) due to a combination of ongoing demographic demand and inflationary pressures. Although significant resources have been invested in the service both sources of pressure continue to have an adverse effect on the financial position. Clearly the position remains a cause of concern and will need to be discussed as part of the current and future budget discussion.

Education and Childrens’ Service is now showing an overspend of £522k. In spite of investment of £1.5m which was allocated as part of the 19/20 budget process the service continues to experience pressures. The outturn projection for Children’s service is currently a £247K overspend. This includes all current high cost residential and independent fostering placements costed to realistic timescales. No allowance has been made for any further new placements within the financial year. The pressure area is within high cost placements which has a current predicted overspend of £710K. Some of this pressure is offset by a sustainable pressures grant (£188K) and underspends on staffing due to vacant posts. The placement pressure has been caused by 4 new residential placements and 6 new independent fostering placements which commenced this financial year. The highest cost residential placement is £7,711 per week. As can be seen each individual placement can be extremely expensive so any increase in numbers can have a large effect on the budget. The Education element of Out of County and Recoupment is also overspent by £275k – the position in this area is effected by the education of the high cost placements mentioned above but also by the shortfall in income from other Local Authorities attending our special schools. The position on this will not be known until the September intake is finalised.

Business Improvement and Modernisation is currently projected to underspend by £64k largely due to a number of vacancy savings. A number of IT contracts are currently under negotiation which may increase costs going forward.

Legal, HR and Democratic Services is now projected to underspend by £53k relating to vacancy savings in preparation of a service review and an increase in Registrars income.

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 projection for school balances to be carried forward into 2020/21 is a net deficit balance of £0.957m, which represents an increase of £0.786m on the deficit balances brought forward from 2019/20 of £0.171m. The figures include the application of a reserve set aside from Corporate underspends last financial year to fund the large deficit balance of Blessed Edward Jones as we, as the Local Education Authority, are legally obliged to do. There is a small underspend in non-delegated budget of £36k.

Highways and Environment Service – although currently still projected to break even there are a number of risks which are being monitored closely. The main ones are summarised below:

- **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. A more accurate picture will be known in September / October when the position with regards to pupil numbers, routes and contracts becomes clearer for the new academic year.
- **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.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £325k which is £168k more than the budgeted decrease of £157k. HRA balances are therefore forecast to be £1.359m at the end of the year. The Capital budget of £14.3m is largely allocated between planned improvements to existing housings stock (£5.2m) and new build developments and acquisitions (£8.1m).

Treasury Management – At the end of June, the council's borrowing totalled £237.14m at an average rate of 4.11%. Investment balances were £13.1m at an average rate of 0.53%.

A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £42.52m with expenditure to date of £5.59m. Appendix 4 provides an update on the major projects included in the overall Capital Plan.

The **Strategic Investment Group** has recently reviewed a business case relating to The Dell Apartments, Prestatyn, which will deliver a development of 15 apartments for social rent to include 5 units for wheelchair users on the ground floor and a total of 10 accessible units on the upper storeys. The cost of the development is £4.594m with funding through the **Council's Housing Revenue Account**. As part of their review, SIG requested that further work be undertaken to:

1. Review the design to increase the number of apartments thus reducing the unit cost.
2. Review the scale of the development with some apartments reduced in size.
3. Look at further funding opportunities

In response, further work was subsequently undertaken by officers the results of which are summarised below:

- Option One was ruled out because of the significant delay this would cause and any cost reduction could be wiped out by construction sector inflation.
- Option Two was ruled out because of reduced flexibility to meet future needs due to fewer two bed apartments and relatively small reduction in unit cost.

- Option Three: There remains the possibility that Welsh Government grant and other types of funding might be available to reduce the proportion of the cost of the scheme which would need to be met through the Council's Housing Revenue.

The Business Case is included as Appendix 5 and the SIG Report on the options is included as Appendix 6. The Strategic Investment Group recommend approval of this proposal to Cabinet as summarised above and detailed in the appendices.

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 remain evident in social care budgets (both Adults' and Children's), School Transport and Waste services despite the investment included in the 2019/20 budget. 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 decrease this financial year, however it still very early in the financial year and 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. We are particularly working closely with a small number of schools who are experiencing particularly difficult circumstances.

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.