

Report to	Cabinet
Date of meeting	24 th March 2020
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (February 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?

3.1 Members note the budgets set for 2019/20 and progress against the agreed strategy.

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 £1.484m (£1.614m last month). Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

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)

These were reviewed thoroughly last month and resulted in the approved allocation of £616k (of which £440k as base budget allocation) from the Savings Achievement Contingency to offset known non-achievement of savings in year. This equates to approximately 11% of the total savings identified and therefore currently assumes that 89% of savings have been achieved.

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 detailed in Appendix 2, however the following should also be noted:

Impact of Floods – Costs are being collated in order to apply for the Welsh Government's Emergency Financial Assistance Scheme (EFAS). The initial return relates to the direct costs of the initial clear-up which currently amounts to approximately £150k. This would be below the normal EFAS schemes threshold amount to qualify for grant funding. WG have also asked for a high level estimate of works required by our authority to deal with the recovery phase to inform any future support package that may be available from WG (deadline for this return is 30 April 2020). Finance and services are working closely in order to ensure all eligible costs are included in these returns.

Impact of Corona Virus - It has become increasingly clear that the impact of the Corona Virus Pandemic on the authority will be significant. The financial impact will be varied from the direct impact of implementing more stringent cleaning regimes to the more indirect impact of a reduction in the number of tourists visiting and its impact on leisure facilities and car parks for example. Careful monitoring and recording will be required in order for

the authority to maximise any external sources of funding that may become available, but also to ensure that the necessary financial impact can be assessed and a funding strategy developed.

Corporate Budgets – Contingencies set aside during the budget process last year have been released in order to help fund the service overspends. It also includes an underspend relating to the Pensions Deficit. The three year actuarial review has shown that the Clwyd Pension Fund has performed better than projected and therefore £880k has been released in-year rather than transferring to the Pension Reserve. Members should be assured that the £2.6m already in the reserve is sufficient to fund the risk until the next triennial review. There may be further resources available (around Council Tax Yield etc) later in the financial year, however if projections remain the same £1.484m would need to be funded from Base Level Reserves.

Schools - The 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 £1.368m (£1.315m last month), which represents an increase of £1.197m 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 £13k.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £333k which is £176k more than the budgeted decrease of £157k. HRA balances are therefore forecast to be £1.379m 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 February, the council's borrowing totalled £241.6m at an average rate of 4%. Investment balances were £11.4m at an average rate of 0.5%.

A summary of the council's **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £31.42m with expenditure to date of £21.79m. Appendix 5 provides an update on the major projects included in the overall Capital Plan. It should be noted that the total budgeted spend on the Rhyl Queen's Market Development has increased by £311k due to

the application of a regeneration grant from Welsh Government (total budget now is £5.311m which is all grant funded). Further updates about the next phases of this project will be brought to Cabinet over the coming months.

7. What are the main conclusions of the Well-being Impact Assessment?

Well-being Impact Assessments for the savings included in Appendix 3 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

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. These are base budget and therefore ongoing pressures and these pressures have been reflected in the Budget Proposals for 2020/21.

Forecasts continue to indicate that school balances will decrease this financial year, 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. 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.