

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	30 <sup>th</sup> June 2020
<b>Lead Member / Officer</b>	Julian Thompson Hill
<b>Report author</b>	Steve Gadd, Head of Finance and Property
<b>Title</b>	Finance Report (2019/20 Financial Outturn)

## **1. What is the report about?**

Cabinet has received regular monitoring reports throughout the financial year on the performance of expenditure against budget and savings agreed as part of the Medium Term Financial Plan. This report details the final position at financial year end.

The first draft of the Annual Statement of Accounts for 2019/20 is on target to be submitted to the external auditors by 15th June. The audited accounts will then be presented to the Corporate Governance Committee in September for formal approval.

## **2. What is the reason for making this report?**

To report the final revenue position and approve the proposed treatment of balances.

## **3. What are the Recommendations?**

3.1 Members note the final revenue outturn position 2019/20

3.2 Members approve the proposed treatment of reserves and balances as described in the report and detailed in Appendices 1, 2 and 3

3.3 Members note the details of transfers to and from Earmarked Reserves as set out in Appendix 4

## 4. Report details

The final Revenue Outturn figures are detailed in Appendix 1, along with the proposed treatment of service year end balances. The final position on service and corporate budgets (including schools) is an overspend of £0.928m (0.46% of the net revenue budget). Appendix 5 details the majority of service positions and reasons for variances however the following should also be noted:

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 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.

**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. An overall school deficit balance is to be carried forward into 2020/21 of £1.388m, which represents an increase of £1.217m 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. The budget agreed for 2020/21 includes a total net additional investment in schools delegated budgets of £2.876m.

**Appendix 4** details the transfers to and from Earmarked Reserves in full. The majority of the movements have been budgeted for or have been approved in previous monitoring reports to cabinet. In particular it shows the planned use of funds to cover overspends in Community Support Services (Adult Social Care Reserve) and Highways and Environment (Sustainable Waste Management Reserve). It should be noted that all reserves are currently under review as part of the Covid 19 Financial Strategy agreed at Cabinet in May.

Underspends relating to **Corporate Budgets** have been reported during the year, however the key elements of the underspend of £2.401m are reproduced in the table below:

Service Area	Description	£000
Pension Deficit Over-recovery	Release of underspend usually transferred to Pension Deficit Reserve in light of Triennial Actuarial Review savings	932
Council Tax Reduction Scheme	Budgeted increase in caseload not required in full	98
NNDR Inflation	Business Rates' Inflation offset by revaluation savings	201
Insurance Re-tender	Underspend relating to re-tendering of Corporate Contract	350
Historic Pension Costs	Decrease in costs more than projected	39
Housing Benefits Overpayments	Civica project to identify and collect Housing Benefit overpayments	150
Energy	Inflationary rise not required - due to warm weather / energy efficiency	417

Due to the improved service position and planned release of corporate contingencies and the impact of the Capital Financing underspend the Final Outturn position has only required utilising £0.974m of the planned £2m from the Budget Mitigation Reserve. The change results in maintaining a reserve of £2.111m, of which £0.685m is required for 2020/21 as per the agreed budget. This leaves £1.426m to further mitigate the budget position, whether to cope with pressures in 2020/21 or helping to balance the budget in future years.

Given the overall position within services and the availability of corporate funds, it is proposed that services carry forward the net under spends listed as Committed Service Balances in **Appendix 1** to help deliver the 2020/21 budget strategy and meet existing commitments. **Appendix 2** summarises the service proposals.

## **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?**

The council's net revenue budget for 2019/20 was £198.538m. The final position on service and corporate budgets was a net overspend £0.187m (0.09% of the net revenue budget). Taking account of funding, the variance on the total budget was an overspend of

£0.928m (0.46% of net revenue budget). The net overspend figure includes £1.217m overspend within schools which is carried forward separately. Where services have highlighted legitimate expenditure commitments against 2019/20 balances, it is proposed that those services carry the net balance forward to 2019/20. All services that underspent were asked to release an element of their underspends in order to help the overall financial position of the authority in light of the financial impact of Covid 19. The position within each service and intended use of brought forward service balances will be reviewed during 2020/21.

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

Well-being Impact Assessments for the savings summarised in Section 4 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.

However, despite the 2020/21 Budget approved in January addressing a number of the key pressures and investing in core priority services such as schools, the new financial

pressures associated with Covid 19 represent a huge challenge for the Council. Strategies are currently being worked on which will help the Council cope, although ultimately additional Welsh Government funding will be required.

Although school balances have decreased this financial year, this largely relates to a small number of schools 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. Obviously the scale of the known impacts of Covid 19 and the huge uncertainty around how this will be funded represents a huge risk to the Council. A formal Financial Strategy was presented and approved by Cabinet in May and work is ongoing to implement that strategy in partnership with the WLGA and Welsh Government.

## **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.