

Report

Cabinet

Part 1

Date: 20th March, 2017

Item No: See above

Subject Use of 2016/17 underspend

Purpose To agree and approve priority one-off spending utilising 2016/17 underspend, reserves following a review prior to closing the 2016/17 accounts and saving from the MRP policy changes approved by Council in their February meeting.

Author Head of Finance

Ward N/A

Summary A significant underspend is forecasted for 2016/17 and the change in the MRP policy taking effect from 1 April 2017 will also generate a guaranteed significant saving in 2017/18. These, alongside a review of reserves will be utilised to spend on one-off priority projects, in 2017/18.

Proposal Cabinet is asked to:

- Note the level of available resources from the review of reserves, the forecasted 2016/17 underspend and savings from the approved MRP policy, noting the inherent risk associated with the level of the 2016/17 underspend.
- Approve officers to utilise the resources in line with Cabinet's priority spending areas shown in the report

Action by Head of Finance (HOF) –Communicate the Cabinet's decision from this meeting and make funding available to appropriate services in line with the agreed priorities

HoF – report on progress on spending, within the regular financial monitoring reports made to Cabinet

HoS – implement the spending, working alongside CM's

Timetable Immediate

This report was prepared after consultation with:

- Chief Executive, Directors and HoS
- Monitoring officers
- Leader of the Council and CM Finance & Assets

Background

1. Cabinet will be aware that the Council has underspent on its budget in the last few years, mainly resulting from non-use of its 'contingency budget'. Whilst there have been areas of overspending, in overall terms, other services or non-service budgets have managed to mitigate this and therefore, the contingency has not been needed to keep the overall position within budget.

This however has enabled the Council to make much needed contributions into reserves, mainly the (i) invest to save, and (ii) projects reserves. These cover the costs of making on-going savings and enable the Council to fund regeneration and other projects without the need for more expensive borrowing, respectively. Cabinet and the Council have very recently reviewed the level of these reserves in the context of setting the 2017/18 budget. Whilst the 'projects reserve' can always be increased to allow more projects /costs to be funded, it is at a reasonable level at c£6.1m forecasted for March 17 and with no projects allocated at this time against it. The 'Invest to Save' reserve' is also at a reasonable level at c£10m forecasted for March 2017 and this should allow for the next phase of transformation/efficiency projects to be funded. These reserves will continue to be monitored for their adequacy and as funds allow, further contributions can be made into them in future years, if needed.

Given these, the Cabinet have considered investing this year's underspend into key priorities, with the first £1.1m of the 2016/17 underspend already approved for allocating to schools funding for 2017/18.

2. As part of this, the Cabinet Member for Finance & Assets has also

- (i) reviewed the Council reserves alongside the Head of Finance and this identified 2 reserves which could be released and also used to fund the key priorities – these being the (i) council tax reduction scheme reserve @ £500k, (ii) general legal claims reserve @ £100k.

Cabinet will be aware that the Council Tax reduction scheme revenue budget has underspend in recent years as claimant numbers have reduced and whilst savings have been taken from this budget for 2017/18, it is still at a level which is over the current costs and therefore the base budget itself allows for future increase in claimant numbers and the risk of overspending here, at least in any single year is therefore low. The Council's general contingency budget also provides for another layer of protection to the overall budget.

The general legal claims reserve is very small and does not provide a significant amount of risk mitigation in itself. Therefore the Council's general contingency budget can provide protection to the overall budget against legal costs.

- (ii) considered the change of MRP methodology approved by Council as part of the 2017/18 Treasury Management policies. This will lower the cost of MRP from 2017/18 and this can also be included to bring forward a package of one-off funds to fund key priority projects.

The table below summarises the 'funding package' available

2016/17 revenue budget forecasted underspend, over and above the £1.1m already allocated – based on January 2017 budget monitor	£900K
Savings from the new MRP method	£1,100k
Review of reserves – release of (i) council tax reduction scheme reserve @ £500k, (ii) general legal claims reserve @ £100k	£600k
TOTAL	£2,600K

3. In agreeing any spending on priorities, Cabinet will need to be aware of the inherent risk in using the forecasted 2016/17 underspend as that cannot be confirmed with certainty until the year-end. The other two sources of funding are known with certainty. The risk though is reduced by:
- Doing this work late in the year when forecasts should be more stable and certain
 - Spending in 2017/18 or even later so that any changes to the underspend, and therefore funding available, can be used to adjust the spending amount/lists accordingly, to match
 - Having a spending list with costs below the funding package available.

Cabinet will also need to be aware that utilising reserves, when there is no general unallocated reserve brings with it some risk, relating to reduced flexibility in the future.

4. The table below lists the agreed spending priorities. Cabinet are asked to confirm this and approve it.

Investment in infrastructure -school renovation fund to be spent over a two year period	£1,100k
Council central library & museum services	£400k
StreetScene infrastructure / maintenance	£300k
Investment in infrastructure e.g. play facilities	£100k
Disabled Facilities Grants	£133k
A package of investments and initiatives to improve facilities in; and viability of traders within; the Council's indoor market	£70k
One-year revenue investment to maintain current grants to voluntary sector	£67k
Revenue investment in a community delivered skills based project – which will also attract match funding and be spent over a three – year period	£300k
Revenue funding for initiatives stemming from an 'anti-social behaviour' group, as a sub group of the Public Services Board	£30k
TOTAL	£2,500K

5. As can be seen, the spending priority list is slightly lower than forecasted funding availability and will be spent over the next 1-3 years. Any adjustment to the above coming from a higher or lower funding availability will be adjusted on the School's renovation fund, though this will need to be confirmed by Cabinet when the final outturn for the 2016/17 is reported and taking into account any issues flagged up by the HoF at that point.
6. Cabinet Members are suggested to review progress on delivering the projects with Heads of Service and these reported within the regular revenue budget monitoring reports to Cabinet through 2017/18 and beyond, as necessary.

Financial Summary

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
2016/17 underspend allocated to new reserve	(£800k)				Will be adjusted to match actual funding availability – dependant on confirmation of 2016/17 outturn.

Re-allocation of existing reserves to new reserve	(£600k)			
2017/18 underspend from change in MRP policy allocated to new reserve		(£1,100K)		
Spend on priorities, funded from new reserve		£2,500k		
Net Impact on Budget	NIL			

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
2016/17 underspend is lower than needed	M	L	-make the decision late in the year -develop a spending priority list lower than funding forecasted to be available -commit a proportion of the funds once funds are all confirmed	HoF in terms of reporting the underspend and liaison with CM at that point
Spending on the priorities overspends	M	L	-Good budget and project monitoring	Specific service managers / budget managers delivering the projects / spend

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

This report deals with how available resources will be spent directly on the Administration priorities.

Options Available and considered

Cabinet can confirm and approve to spend the available resources on the list shown or the resources could be allocated to other reserves, most likely the 'invest to save' and/or 'projects reserve'.

Preferred Option and Why

As the report shows, whilst resources can always be allocated to the reserves highlighted, they are currently at reasonable levels and are not allocated at this time. Within that context, the preferred option is to commit resources at this point, to priorities of the Cabinet.

Comments of Chief Financial Officer

Two of the three funding sources have certainty to them. The risk around the uncertainty of the third source (16/17 budget underspend) can be mitigated as shown in the report although there is ultimately, an inherent risk in its achievement and will need to be confirmed in June 2017, when the final outturn is reported.

The practical application of this decision will be taken by establishing a new reserve and allocating the funds shown to that. That will then be used to fund the expenditure in 2017/18 and 2018/19, as needed. This will also entail agreeing some budget virements to the 2017/18 budget to reflect the decision in budgets.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report. Although full Council has set the budget framework and Council tax base for 17/18, the review and use of current underspends and reserves is an executive decision for the Cabinet. The Report identifies current budget underspends for 16/17, specific Council Tax and legal claims reserves and additional funding released through the Council-approved changes in MRP methodology, which can be allocated to new reserves and ear-marked for one-off items of expenditure in 17/18. The Report also identifies the specific items of expenditure which Cabinet considers should be prioritised for the use of this additional funding, and authorised the appropriate additions to the relevant services area and capital budgets.

Comments of Head of People and Business Change

The report sets out the proposed use of identified underspends and specific reserves to meet priorities identified within service areas through revenue and capital budgets. There is potential impact on staffing through these investment proposals which will generally be positive. Decisions on these investments is a role of Cabinet as an executive function and needs to be done whilst being mindful of the responsibilities the Council has under the Well-being of Future Generations Act and the views of citizens gained through various engagement and consultation activities.

Comments of Cabinet Member

The CM Finance and Assets confirms that the spending priorities have been developed by Cabinet and he is in agreement with the recommendations of this report.

Local issues

N/A.

Scrutiny Committees

Non – the spending priorities have been developed by Cabinet and discussed with the Administrations wider group.

Equalities Impact Assessment and the Equalities Act 2010

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

The spending priorities will benefit the aims of this act in that investments here will provide long term benefits for users of services benefitting from the investment.

Crime and Disorder Act 1998

Some aspects of the spending priorities will provide benefits in relation to this Act.

Consultation

The Cabinet have developed these proposals and consulted with their group before finalising.

Background Papers

None.

Dated: 26-2-2017