

**Report To: Cabinet**

**Date of Meeting: 18<sup>th</sup> February 2014**

**Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady**

**Report Author: Richard Weigh, Chief Accountant**

**Title: Finance Report**

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

The report gives details of the council's revenue budget and savings as agreed for 2013/14. 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.

**3. What are the Recommendations?**

Members note the progress against the agreed budget strategy.

Members approve the following transfers to reserves as detailed in Section 6:

- £66k to a Planning reserve in respect of fees received in the current year
- £134k to a Channel Shift Reserve (Customer & Education Support)
- £121k to the Education Out of County Placement Reserve

**Appendix 5** shows details of all transfers to and from reserves agreed by Cabinet during the year.

**4. Report details**

The report provides a summary of the council's revenue budget for 2013/14 (**Appendix 1**). The council's net budget is £192m. At the end of January, there is a forecast under spend on service and corporate budgets of £991k (£951k last month) which represents a variance of 0.78%.

**Appendix 2** to the report shows the progress to date against the savings highlighted in the Medium Term Financial Plan for 2013/14. A savings target of £3.061m was agreed for the year and so far 89% have been achieved totalling £2.716m. The target included £200k of modernisation savings. So far, it is assumed that £140k will be achieved (including printer rationalisation and travel savings). The rest of the savings are assumed to be achievable but can only be confirmed after a full year's activity has been assessed.

**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?**

Narrative supporting service forecasts where necessary is detailed below:

**Business Improvement and Modernisation** – Although the under spend has remained at £72k, the projection now includes the effects of the following changes:

- £40k has now been transferred to the EDRMS reserve as recommended in last month's report
- Internal Audit is now reported under Business Improvement and Modernisation and is forecasting a £15k under spend due to the early implementation 2014/15 savings
- A further £20k under spend is due to the delay in the timetable for delivering the Big Plan 2
- Minor variances account for the remaining £5k movement

It has already been proposed by the service that £32k of this under spend be utilised in 2014/15 to help fund an Information Officer post. The service would further propose that £20k is utilised to fund the delayed costs of the Big Plan 2, and that £20k is used to help fund a project to help devolve services to Town and Community Councils.

**Finance & Assets** – is forecast to be under spent by £15k. Part of this relates to planned procurement training which will now take place in April (£5k) and vacancies within the Procurement team (£10k).

**Highways & Environment Services** – The Environment and Highways Services is still showing an over spend of £96k. However, this projection includes a number of contingencies, in particular relating to the Winter Maintenance budget. The level of these projections will continue to be assessed over the coming weeks in response to the weather conditions and reported on in future monitoring reports. If the contingencies are not required the service budget is likely to be balanced by the end of the year.

**Planning & Public Protection** – a planning fee of £99k has recently been received in respect of development at Bodelwyddan. Part of the expenditure against this income will be incurred in the current year (£33k) with the remainder being incurred over the next two years. It is therefore recommended that as £66k of the fee received relates to funding future costs, this amount is placed in a planning reserve to be drawn down to match future expenditure.

**Adult & Business Services** - the 2013/14 outturn within Adult and Business Services is currently showing an overall under spend of £119k on a gross

budget of £48m. The under spend is mainly attributable to 2014/15 budget savings proposals being implemented early in readiness for the full year effect.

**Children's Services** - the current reported position is an under spend of £469k, an increase of £59k from the previous month. The movement is as a result of a saving of £20k due to delays appointing to vacant posts and a reduction on independent fostering expenditure of £31k due to placements ending sooner than previously anticipated. Most of the current year's under spend relates to areas where savings have been agreed for 2014/15. The service has recently submitted a grant claim to WG in relation to the Integrated Family Support Services team and the claim includes the refunding of some staffing costs that are currently charged to revenue. At this stage it is not known whether the claim will be successful but if it is, the under spend would increase by a further £64k.

**Communications, Marketing & Leisure** - the current forecast is a small under spend of £3k. The financial performance of the Rhyl Pavilion Theatre continues to improve and the latest forecasts for the venue project a small under spend at the year-end. The customer numbers at the council's leisure facilities continue to exceed targets, which justifies the recent significant capital investment in them. The delay in the opening of the new Foryd Harbour has impacted on the income levels for 13/14 but it has previously been agreed that any funding shortfall will be met corporately. However the latest forecasts predict that this should be much less than previously envisaged

**Customer & Education Support** – The service is currently projected to under spend by £134k. The movement of £23k from last month largely relates to the release of number of small contingencies and the revised timing of some ICT investment. It is recommended that a new reserve is set up to pump prime the Chanel Shift and Customer Access project which forms part of the Modernisation agenda and is vital in delivering the efficiencies required in future years. The expenditure will span the next two financial years and will reduce the funding requirement from corporate resources. It is further recommended that the service under spend is placed in this reserve.

**School Improvement & Inclusion** – The service is currently showing an under spend of £121k, all of which relates to the Out of County placement budget. This projection still contains a number of assumptions relating to expected levels of charges from other local authorities and providers. It is recommended that this under spend is also placed in the Out of County reserve which was set up earlier in the year and allowed for the release of £200k base budget efficiency in 2014/15. Increasing the reserve provides further options when considering budget savings for 2015/16.

**Schools** - at the end of January the projection for school balances is £3.131m, which is a positive movement of £261k on the balances brought forward from 2012/13 (£2.870m). The movement from the last report primarily relates to the delay in planned investment in school infrastructure that will now take place during the Easter break. The projections currently include estimates for ICT investment that may not be delivered until April. The council supports two

schools in financial difficulty and will continue this support through the recovery process into the 2014-15 financial year. Both have acting Head teachers in post who are fully engaged in the recovery process and are working with the Local Authority accordingly. A third school, Rhyl High, which had been in financial difficulty has now fulfilled its recovery plan targets and will be running to a planned surplus by the end of 2014-15. This is a significant achievement. The Non-delegated budget is currently projected to under spend by £116k.

**Corporate** budgets – estimates for the costs in response to the floods in December are approximately £330k capital (the reinstatement of sea defences) and £150k of other revenue costs. A submission has been made to Welsh Government for financial assistance which is still being assessed. It is probable that some funding will be provided for the capital works to improve sea defences but this has not yet been confirmed. The assumption against the Corporate budget is £350k – costs in excess of this would be met from general balances.

The Corporate budget includes a priority budget allocation of £140k for modernisation. It is estimated that £80k of this budget will be used in 2013/14.

The amount of debt written-off in the year is £116k in respect of Council Tax and £19k in respect of other debtors. Council Tax write-offs are estimated to be approximately £220k by the end of the year which is consistent with last year. Write-offs relate to irrecoverable debt which in some cases dates back several years.

**Corporate Plan** cash reserves are forecast to be £13.4m by the end of the year, leaving a cash requirement of approximately £8.6m required to deliver the Plan.

The **Housing Revenue Account (HRA)**. The latest revenue position assumes an increase in balances at year end of £105k, which is an improvement of £207k on the budgeted assumption. The Housing Capital Plan forecast remains unchanged from last month at £7.6m. The Welsh Housing Quality Standard should be achieved in April 2014. Debt write-offs for the HRA are estimated to be £50k in the current year which is in line with the forecast in the budget.

A summary of the **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £37.6m and expenditure to the end of January was £22.4m. Capital expenditure in the last quarter of the year is always significantly higher than the preceding quarters and will be the case this year. Also included within Appendix 3 is the proposed expenditure of £7.1m on the **Corporate Plan**.

**Appendix 4** provides an update on the major projects included in the Capital Plan.

**7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

A summary EqIA was submitted to Council in February 2013.

**8. What consultations have been carried out with Scrutiny and others?**

Service challenges were held with each head of service and each challenge included representatives from scrutiny committee and Cabinet. Corporate Plan and Budget workshops were held with members in September, November and December. The capital plan was approved by council following scrutiny by the Strategic Investment Group and recommendation by cabinet.

**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 years.

At the end of January, the council's borrowing totalled £132.454m at an average rate of 5.79%. Investment balances were £27.1m at an average rate of 0.80%.

**10. What risks are there and is there anything we can do to reduce them?**

This is the most challenging financial period the council has faced 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.