

Report To: Cabinet

Date of Meeting: 25th March 2014

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

Report Author: Richard Weigh, Chief Accountant

Title: Finance Report

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 transfer to a reserve as detailed in Section 6:

- £23k to the Planning reserve in respect of fees received in the current year but that relate to expenditure in 2014/15

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 February, there is a forecast under spend on service and corporate budgets of £1.412m (£991k last month) which represents a variance of 1.11%.

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 91% have been achieved totalling £2.786m.

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 – The under spend has increased by £15k, due to a number of small variances, and is now £87k. The service proposal is that this further under spend is used to help fund a Specialist Business Partner post for ICT in order to help drive through the modernisation of the Council's ICT infrastructure.

Legal & Democratic Services – the increased under spend relates to further reductions in canvasser costs.

Highways & Environment Services – is now forecasting an under spend of £58k. The movement in this projection from last month involves the reduction of some of the contingencies previously built in (e.g. on the Winter Maintenance budget). The projections still involve a number of assumptions which will continue to be assessed over the coming weeks. A further £58k of the reduction relates to the planned fleet procurement process relating to road sweepers. This has been delayed until next financial year due to the need to implement the Streetscene restructure. It is proposed that the £58k under spend is carried forward in order to help pay for this investment in the new service early in 2014/15.

Planning & Public Protection – the increase in under spend relates to planning fees received for Rhyl High School and the H M Stanley site. The Rhyl High School fee was £47k and it is recommended that half of this fee is transferred to a Planning reserve to match costs that will be incurred in 2014/15.

Children's Services - the current reported position is an under spend of £549k (£469K last month). The additional savings are as a result of the delay in the purchase of new ICT equipment as part of the modernisation of social care (hand-held devices, new software etc.) amounting to £61k. Whilst orders have been placed for all the goods, unfortunately the supplier is now in the process of upgrading the kit to a newer version and this will not be available until the summer of 2014. Therefore some of the current under spend must be earmarked for these costs in early 2014/15. The service is developing invest to save proposals in respect of the fostering service and would propose that some of the current under spend be used for this purpose. More detail will be available in the next report.

Housing & Community Development – the increased under spend relates to slippage on a homelessness project. The expenditure will be incurred early in 2014/15.

Strategic HR – the under spend relates to staffing budgets in the Occupational Health service and reduced use of doctor services.

ICT and Business Transformation – The service is now showing an under spend of £154k. The majority of this relates to delays in the delivery of projects relating to the Phase 2 ICT Strategy and the service proposal would be that £93k of the under spend is carried forward in order to ensure that the Strategy is fully funded going forward. A further £57k of the under spend relates to a grant which was confirmed last month. However confirmation of this has been received too late in the financial year in order to deliver the grant conditions in an effective and efficient way. It is therefore proposed that this amount be carried forward into next financial year for the service to deliver the commitment to WG in respect of this grant.

School Improvement & Inclusion – The service is now showing an under spend of £61k. The under spend is made up of £40k relating to less demand than expected against the Early Years provision, and £21k relating to an element of the School Inspectors service which is now undertaken by the GWE regional school improvement service. The service proposal is that £45k of the under spend is carried forward in order to help fund costs relating to restructures that have facilitated a number of efficiencies in 2014/15.

Schools - at the end of February the projection for school balances is £3.268m, which is a positive movement of £398k on the balances brought forward from 2012/13 (£2.870m). The council supports two schools in financial difficulty and will continue this support through the recovery process into 2014-15. Both have acting Head teachers in post who are fully engaged in the recovery process and are working with the Local Authority accordingly. The non-delegated budget is currently projected to under spend by £65k.

Corporate budgets – include a contingency of £200k to cover the revenue costs of the floods in December (previously £250k). The remaining movement of £50k from last month relates to the cost of ICT upgrade costs in respect of CAG infrastructure which is now being absorbed by services, rather than from the corporate modernisation budget.

In respect of the floods, confirmation has recently been received of Welsh Government grant support of £701k, targeted at the restoration of coastal defence infrastructure. The confirmation included a provision to carry any grant under spend in 2013/14 forward into 2014/15. There is also likely to be £256k grant funding in respect of Tourism Infrastructure Repairs. The claim the council has submitted under the EFAS relief scheme covering initial response costs is unlikely to be approved as it falls short of the financial threshold required.

Corporate Plan cash reserves are forecast to be £14.7m by the end of the year, leaving a cash requirement of approximately £5.5m required to deliver the Plan.

Treasury Management - At the end of February, the council's borrowing totalled £136.704m at an average rate of 5.72%. Investment balances were £29.2m at an average rate of 0.80%.

On 14th March, the rating of the Royal Bank of Scotland (RBS) dropped below the counter-party level required in the council's Treasury Management Strategy. Other than the council's current account balances, all other funds have been transferred to other institutions. This is a precautionary measure reacting to the drop in the bank's rating – it does not represent a significant risk of bank default.

The **Housing Revenue Account (HRA)**. The latest revenue position assumes an increase in balances at year end of £159k, which is an improvement of £260k on the budgeted assumption. The Housing Capital Plan forecast remains at £7.5m. 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 £36.1m and expenditure to the end of February was £25.2m. For some perspective on the forecast, in March 2013 total capital expenditure was £12.5m. Also included within Appendix 3 is the proposed expenditure of £6.6m 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.

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.