

**Report To: Cabinet**

**Date of Meeting: 27<sup>th</sup> May 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 2014/15. 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 2014/15.

**3. What are the Recommendations?**

Members note the budgets set for 2014/15 and progress against the agreed budget strategy.

**4. Report details**

The report provides a summary of the council's revenue budget for 2014/15 (**Appendix 1**). The council's net revenue budget is £188m (£192m in 13/14). At this stage of the year there are no variances to report. More detail will be available in the next report when the impact of the 2013/14 year-end position has been finalised.

**Appendix 2** to the report shows the savings agreed for the year. All are assumed to be deliverable but will be continually assessed throughout the year.

**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?**

At this stage there are no variances to report. The 2013/14 position is being finalised and will inform the May outturn report presented to Cabinet in June. The total net service and corporate budget is £124m (£128m last year).

The Finance & Asset budget includes a £1.5m budget increase as the specific grant for PFI has been transferred into the Revenue Support Grant and therefore now forms part of the council's base budget.

While there are no variances to report, it is currently projected that the Environment and Highways Service will face a number of pressures and risks in 2014/15 which will require management action to contain within the overall budget. The majority of these pressures also occurred in 2013/14 but were mainly offset by the use of one-off items and reserves. The main areas of concern are:

- There is an underlying pressure within the School Transport Service. For 2014/15 this is likely to be in the region of £270k
- The reduction in income from parking that was seen during 2013/14 (mainly in Rhyl and Prestatyn) is likely to continue. A working group has been set up to identify potential proposals to mitigate the impact
- The Winter Maintenance budget is only just sufficient for a 'normal' winter. The service has also had to use most of the remaining Winter Maintenance Reserve in 2013/14 to cover the overspend relating to the snow and clear up in April 2013. The result is that a severe winter will directly impact on the projected outturn for the service.
- There is a continuing shortfall of £50k lettings income relating to Coastal Lettings due to circumstances outside the control of the Environment and Highways Service.

**Corporate** budgets – the capital financing budget has increased with the transfer into RSG of Local Government Borrowing Initiative grant funding for Highways prudential borrowing.

**Corporate Plan** cash reserves are forecast to be £15.3m by the end of 2013/14. The Plan is progressing and will be reviewed in the next few weeks to take account of the final year-end position and latest assumptions around project costs and spend profile, capital receipts, cash and prudential borrowing.

**Housing Revenue Account (HRA)**. The latest revenue position assumes an increase in balances at year end of £163k. The revenue budget assumes £943k will be used to fund capital expenditure. The Housing Capital Plan forecast expenditure is £6.1m. Formal consultation on the ending of the Housing Subsidy system in Wales has recently been issued and the council is developing its responses. Elected members will be involved in the consultation.

**Treasury Management** - At the end of April, the council's borrowing totalled £141.648m at an average rate of 5.63%. Investment balances were £32.2m at an average rate of 0.63%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £24.6m with no expenditure to date. Also included within Appendix 3 is the proposed expenditure of £14.4m 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 to support the savings in this year's budget.

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

Prior to approval by County Council, the savings were agreed with Heads of Service and Lead Members, presented to member budget workshops and circulated to staff. The proposals to balance the budget were discussed in detail at member workshops and members were given the opportunity to raise issues prior to the final report going to Council. The Corporate Governance Committee was provided with regular updates as it has an oversight role in respect of the budget process.

**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 or three 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.