

Report To: Cabinet

Date of Meeting: 29th July 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 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.

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 detailed in **(Appendix 1)**. The council's net revenue budget is £188m (£192m in 13/14). The position on service and corporate budgets is a forecast overspend of £235k. Further narrative is outlined below. Savings of £7.1m were agreed as part of the budget and at this stage are assumed as achieved. A more detailed analysis will be presented in September.

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?

Relevant service narrative is shown in the following paragraphs.

Communications, Marketing & Leisure - the current forecast is to break-even, although presently the membership numbers at the leisure sites are continuing to increase. If this trend continues it is likely that the savings proposals being put forward for 15/16 will in part be realised early.

The North Wales Bowling Centre transferred back into Council ownership recently and is due to reopen in September 2014. It is assumed that any costs associated with operating the facility over the winter months will be offset by income from members, visitors and from the food and beverage offer but of course this might not be the case. The new Foryd Harbour continues to develop and as previously agreed any funding shortfall will be met corporately in 14/15 (currently the requirement is forecast to be £47k).

Highways & Environment Services – as indicated in previous reports the service is facing a number of pressures and risks in 2014/15. It is currently projected that the service will overspend by £235k although the service will continue to try and identify management action to contain these pressures within the overall budget. The main areas of variance are:

- There is an underlying pressure within the School Transport Service. For 2014/15 this is likely to be in the region of £171k although a more exact projection will be available after the schools return in September and pupil transport requirements are known in detail. There is also a Task and Finish Group currently working towards identifying permanent solutions to this problem. The overspend of £171k now includes a projected contribution of £104k from the School Modernisation budget in order to pay for the pressures relating to recent historic school closures.
- The reduction in income from parking that was seen during 2013/14 (mainly in Rhyl and Prestatyn) is continuing and the service is currently projected to overspend by £100k. A working group has been set up to identify proposals to address the position.
- There is a continuing shortfall of £46k within Coastal Lettings relating to unlet units within the Children's Village in Rhyl.
- Savings within the service totalling £112k have also helped mitigate the pressures identified above.

Adult & Business Services - the current forecast for 2014/15 is to break-even. Whilst there continues to be pressures on the Specialist Community Care budgets these are offset by savings on salary costs (vacant posts) and also by reviewing budget heads across other functions. For this year only the Welsh Government has developed an Intermediate Care Fund to encourage integrated working between local authorities, health and other partners in the voluntary and independent sector. The fund is only available for 2014-2015 and £1.65m has been allocated to projects in Denbighshire, consisting of £0.55m capital and £1.1m revenue. Plans continue to be progressed with the NHS, Denbighshire Voluntary Services Council, Denbighshire Care & Repair and other public and independent partners and at this stage it is assumed that all of the council's funding allocation will be spent in the current financial year.

Schools - at the end of June the projection for school balances is £2.984m, which is a reduction of £908k on the balances brought forward from 2013/14 (£3.892m). However, this forecast will be reassessed in September as cost and spending decisions are reviewed for the new school term. The council supports two schools in financial difficulty and will continue this support through the recovery process throughout 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 £75k.

Corporate Plan cash reserves at the beginning of 2014/15 are £14.4m. Allowing for projected funding and expenditure during the year, the Corporate Plan balance at the end of the year is estimated to be £15.6m.

Housing Revenue Account (HRA). The latest revenue position assumes an increase in balances at year end of £68k compared to a budgeted increase of £163k. Elements of housing management costs are estimated to be higher than the budgeted amount and after three months rent income forecasts are slightly lower than the original budget estimate. The revenue budget assumes £943k will be used to fund capital expenditure. The Housing Capital Plan forecast expenditure is £6.1m. The formal consultation on the ending of the Housing Subsidy system in Wales is underway and has involved elected members and tenants.

Treasury Management - At the end of June, the council's borrowing totalled £141.643m at an average rate of 5.63%. Investment balances were £33.8m at an average rate of 0.60%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 2**. The approved general capital plan is £27.9m with expenditure to date of £3.16m. Also included within Appendix 2 is the proposed expenditure of £15.7m on the **Corporate Plan**.

Appendix 3 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.