

Report To: Cabinet

Date of Meeting: 30th September 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 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.

Members approve the creation of a Replacement Equipment Reserve for Leisure Services. Allocations to the reserve would be subject to further cabinet approval.

Members approve the transfer of £30k to the Coroner Service Reserve which will help facilitate a budget reduction in future years.

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 over spend of £114k. Further narrative is outlined below. Savings of £7.1m were agreed as part of the budget and at this stage are assumed achieved.

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, with income levels exceeding budgets at the leisure sites by circa £60k. If this trend continues and costs are contained within budget then it is likely that the savings proposals being put forward by the Council for 15/16 will, in part, be realised early. In view of the fact that the budget strategy is to work towards a zero net budget for leisure centres it would be prudent to create a 'Replacement Equipment Reserve' to enable the funding of general equipment items in future years. Any under spend from 14/15 could be earmarked for this purpose. This will help mitigate risk associated with moving to a nil net budget for leisure centres.

The North Wales Bowls Centre has now reopened in early September 2014. At this stage 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.

Customer & Education Support – vacancy savings account for the small net projected under spend of £26k.

School Improvement & Inclusion – detailed work is ongoing to provide a robust estimate for Out of County and Recoupment. These budgets have under spent recently, however they remain volatile as they are based on pupil numbers and negotiations between authorities. A more detailed position will be available next month when the impact of changes made in the new school year is fully understood.

Business Improvement and Modernisation – Although the service is currently showing a nil variance there is uncertainty around the timing of expenditure in the following areas:

- A number of service restructures are currently being progressed. Some of these may progress quicker than others and so produce an in-year saving in 2014/15.
- The IT strategy involves a high level of investment but spend is dependent on the progress and timing of a number of projects.

The **Legal, HR and Democratic Services** budgets have been merged to reflect the latest corporate management structure.

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 £313k although the service will continue to try and identify management action to contain these pressures within the overall budget. The main areas of concern are:

- The overspend of £171k within the School Transport Service is still based on a number of assumptions and a more exact projection will only be available after the new school term 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 reduction in income from parking that was seen during 2013/14 (mainly in Rhyl and Prestatyn due to the free parking at, and re-location of key stores to, Parc Prestatyn) has continued through the summer along with the continued reduction in Penalty Charge Notice income. The service is currently concentrating on the following areas in order to try and mitigate the overspend:
 - Better performance management of the enforcement staff to increase PCN income.
 - Operational costs are currently being reviewed to try and further offset the effect of the reduction in income.
 - Pricing tariffs for the car parks will be reviewed as part of the ongoing traffic and parking review that is being carried out as a result of the Economic Ambition Strategy.

Adult & Business Services - the current forecast for 2014/15 is to break-even but includes a number of one-off funding allocations (including £1.1m revenue funding as part of the Intermediate Care Fund and balances brought forward of £136k). At this stage it is assumed that all of the council's funding allocation will be spent in the current financial year. Given the amount of one-off funding in the service this year, it is probable that an under spend may emerge if projects slip and service demand does not substantially increase.

Schools - at the end of August the projection for school balances is £2.951m, which is a reduction of £941k on the balances brought forward from 2013/14 (£3.892m). The Non-delegated budget is currently projected to under spend by £82k. This projection is based on all known uses of the contingency budgets held centrally.

Corporate budgets are forecast to be under spent by £170k. Of this, £30k relates to the Coroner service. This is the second year of the combined Coroner Service and the historic budget will be reviewed and considered as for potential efficiency savings for next year. Approval is sought to transfer £30k to the Coroners Reserve (in line with last year's transfer). This reserve was set up to allow for any future fluctuations in the Coroner's costs, with a view to possibly reducing the budget. The remainder relates to under spends on centrally held energy budget provisions which will be cut in 2015/16 as agreed as part of the budget process. It is assumed that any other under spends will contribute to the funding of the Corporate Plan.

Corporate Plan cash reserves at the beginning of 2014/15 were £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 £83k compared to a budgeted increase of £163k. The revenue budget assumes £943k will be used to fund capital expenditure. The Housing Capital Plan forecast expenditure is £6.1m.

Treasury Management - At the end of August, the council's borrowing totalled £150.750m at an average rate of 5.51%. Investment balances were £39.1m at an average rate of 0.58%. A full report on Treasury Management is on the Cabinet agenda.

A detailed report on the council's **Capital Plan** was reported to County Council on 9th September and is not repeated in this report.

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.