

Report To: Cabinet

Date of Meeting: 28th October 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.

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 under spend of £9k. Further narrative is outlined below. Savings of £7.1m were agreed as part of the budget and are detailed as **Appendix 2**. At this stage, all service savings are either achieved or in progress. Modernisation savings of £191k have been processed with others in progress, such as the EDRMS project and savings from the closure of Ty Nant. To date, workforce efficiencies of £130k have been taken in respect of changes to car user allowances and mileage rates. In-year savings to date from the efficiency leave measure total £117k.

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 and if trend continues it is likely that the Department will show a cash under spend at the year end.

The North Wales Bowls Centre has successfully reopened in late September and it is assumed that any costs associated with operating the facility over the winter months will be offset by income generated from members, visitors and from food and beverage sales. The 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).

Customer & Education Support – vacancy savings account for the small net projected under spend of £6k.

School Improvement & Inclusion – detailed work is ongoing to provide a robust estimate for Out of County and Recoupment. Detailed figures are awaited from a number of local authorities. However two new high cost residential placements (c£170k per annum) have been identified which is likely to result in this area not under spending this financial year as had previously been anticipated. As stated in previous reports these budgets remain volatile as they are based on pupil numbers and negotiations between authorities.

Business Improvement and Modernisation – The service is currently showing a project under spend of £50k relating to net vacancy savings pending service restructures. It is hoped the under spend will be able to be utilised in 2015/16 in order to further progress service change and IT investment. There is still an element of uncertainty around the timing of expenditure in the following areas:

- A number of service restructures are currently being progressed in order to achieve efficiencies as part of the 2015/16 budget proposals. Some of these initiatives may progress quicker than others and so produce further in-year savings in 2014/15.
- The IT strategy in particular involves a high level of investment but spend is dependent on the progress and timing of a number of projects. Any delays to projects may result in some slippage in expenditure into 2015/16.

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 £361k although the service will continue to identify management action to contain these pressures within the overall budget. The main areas of overspend are:

The over spend within the School Transport Service is now £221k and is based on the known September pupil numbers and transport needs. There is

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 has continued through the summer along with a continued reduction in Penalty Charge Notice income. The service is currently concentrating on the following areas in order to try and mitigate the over spend, which is currently £243k:

- 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.

There is also a concern around the design fees income that the Council attracts from North and Mid Wales Trunk Road Agency (NMWTRA). The number of jobs received from NMWTRA has decreased so far this year and if the trend continues, may result in an underachievement of income.

Adult & Business Services - the current forecast for 2014/15 is to break-even although indications show that there could be a non-recurring under spend of £145k due to staffing costs that would normally be charged to the revenue budget being allocated against the one-off Intermediate Care Fund grant for the year.

Children & Family Services – the current forecast is an under spend of £197k which is due to four of the agreed budget savings proposals for 2015/16 having already been fully implemented this year.

Cabinet agreed to set aside £250k of the 2013/14 service under spend into a capital reserve to fund the costs of adaptations to in-house foster carers' properties. The business case is currently being developed and will detail the full proposals of the intended scheme, together with the anticipated cost benefits.

Schools - at the end of September the projection for school balances is £2.784m, which is a reduction of £1.108m on the balances brought forward from 2013/14 (£3.892m). The non-delegated budget is currently projected to under spend by £40k.

Corporate budgets are forecast to be under spent by £170k as reported last month. It is assumed that any corporate 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 £82k 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 September, the council's borrowing totalled £148.551m at an average rate of 5.45%. Investment balances were £40.35m at an average rate of 0.61%

Expenditure on the council's **Capital Plan** was £9.0m against a Plan of £36.9m at the end of September. The Capital Plan includes an estimated £14m expenditure on the Corporate Plan. A summary of the Plan is included as **Appendix 3** and an update on the major projects is included as **Appendix 4**.

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.