

Report To: Cabinet

Date of Meeting: 25th November 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 £158k (£9k under last month). Further narrative is outlined below. Savings of £7.1m were agreed as part of the budget and are detailed as **Appendix 2**. The appendix shows that 90% are classed as achieved with 10% in progress.

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.

School Improvement & Inclusion – The service is currently projected to under spend by £146k due to expenditure being lower than planned on Early Years placements for 3 year olds (approx. £50k less than budget) and vacancy savings, relating partly to a secondment to Welsh Government and partly due to the restructures within the service in response to the Freedoms and Flexibilities exercise. The service would like to utilise this under spend to help fund exit costs and any possible delays relating to savings identified for 2015/16.

Business Improvement and Modernisation – The service is currently showing a project under spend of £50k relating to net vacancy savings pending service restructures.

Finance & Assets – Property is forecast to under spend by £20k due to the Strategic Property Investments Team costs being less than planned in the year. The Team has specific funding for two years and the under spend is primarily due to savings in staff and external survey and development costs. There is a £15k forecast under spend in **Finance** which relates to not filling a vacancy. The under spend will be used to fund restructure costs as part of 2015/16 budget savings.

Highways & Environment Services – as indicated in previous reports the service is facing a number of pressures and risks in 2014/15. An over spend of £472k is currently projected although the service is continuing to try to identify management action to contain these pressures within the overall budget. Service reserves will also be considered as funding options in the current year to reduce the pressure.

The over spend within the School Transport Service remains at £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 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 (£10k improvement achieved this month).
- 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.

As highlighted in last month's report there is a concern around the design fees income that the council attracts from North and Mid Wales Trunk Road Agency (NMWTRA). There is a projected an underachievement of income of £116k due to a continuing trend of the number of jobs received from NMWTRA reducing. The service is looking to reduce costs in order to limit the impact of this change however the fee income budget is £221k so reductions in expenditure can only partly rectify the problem.

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 £159k 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.

Housing & Economic Development – the Economic & Business Development department is currently being reviewed. It is assumed that any under spend on Town & Area Plan budgets will be carried forward if the budget saving proposal to remove the budget from 2015/16 is agreed.

Children & Family Services – the current forecast is for an under spend of £228K (£197K reported last month) which is due to several of the agreed budget savings proposals for 15/16 having already been fully implemented this year, together with a projected under spend on the specialist placements budget. The overall under spend takes account of pressures currently arising on the Care Leavers' budget and also the delay in fully vacating the Tir Na Nog facility - the budget had assumed that this would happen from the 1st April 2014 but was not achieved until July).

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 five foster carers have provisionally agreed to take part in the project. Property Services are currently working on the likely cost implications of carrying out the works

Schools - at the end of October the projection for school balances is £2.768m, which is a reduction of £1.124m on the balances brought forward from 2013/14 (£3.892m). The non-delegated budget is currently projected to under spend by £38k.

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 October, 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 £12.20m against a Plan of £36.2m at the end of October. The Capital Plan includes an estimated £13.1m 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.