

Report To: Cabinet

Date of Meeting: 16th December 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 agree to transfer £20k to the Coroner Service Reserve.

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 £327k (£158k 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 £226k due to expenditure being lower than planned on Early Years placements for 3 year olds 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 has not needed to utilise the underspend from 2013/14 this year which has increased the underspend since last month. 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 – Although the service is currently projected to break even this includes a number of assumptions around the timing of ICT investment projects and service restructures. Delays to either of these may result in the service underspending. This will be monitored closely over the coming months and reported to Members.

Legal, HR & Democratic Services – the under spend is as a result of a vacant post and external income from a successful prosecution.

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 remainder relates to savings from vacancies in **Finance**. 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 £447k 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 (PCN) income. Management action around the PCN income has now reduced the projected overspend by £45k to £198k. The service will continue to try and mitigate the over spend through:

- 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 previous month's reports there is a concern around the design fees income that the council attracts from North and Mid Wales Trunk Road Agency (NMWTRA). There is still a projected 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 for a non-recurring under spend of £66K due entirely to staffing costs that would normally be charged to the revenue budget being allocated against the one-off Intermediate Care Fund grant for 14/15. In terms of the latter the Welsh Government has developed a one year only grant to encourage integrated working between local authorities, (including Housing and Social Care), health and other partners in the voluntary and independent sector. Monthly monitoring reports are submitted to the Welsh Government to confirm expenditure and officers continue to have confidence that all of the council's one-off grant funding (£1.1m revenue and £0.55m capital) will be spent by the 31st March 2015.

Currently the Cefndy Healthcare and Manufacturing Unit is forecast to come in on budget but historically there has been an over spend at year end. Therefore caution needs to be taken with this assumption as the majority of the trading income is subject to the competitive external market.

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 end of year net under spend of £242k (£228k 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 increase in the under spend from last month is due to a forecast reduction in legal costs for the remainder of the financial 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 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 November the projection for school balances is £2.765m, which is a reduction of £1.127m on the balances brought forward from 2013/14 (£3.892m). The non-delegated budget is currently projected to under spend by £19k.

Corporate budgets are forecast to be under spent by £200k (£170k reported last month). The change relates to the impact of funding the local government pay award. It is assumed that any corporate under spends will contribute to the funding of the Corporate Plan. The combined Coroner Service budget is held within the Corporate budget and is forecasting a further £20k under spend (£30k previously reported). It is recommended that this be transferred to the Coroner's Reserve which was established to manage fluctuations in costs and possibly to allow for a budget reduction in future years. **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 November, the council's borrowing totalled £148.546m at an average rate of 5.45%. Investment balances were £33.3m at an average rate of 0.64%

Expenditure on the council's **Capital Plan** was £14.9m against a Plan of £36.6m at the end of November. 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.