

**Report To: Cabinet**

**Date of Meeting: 17<sup>th</sup> January 2015**

**Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady**

**Report Author: Richard Weigh, Chief Accountant**

**Title: Finance Report**

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**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 transfer of £100k funding to a reserve to fund school broadband enhancements in 2015/16.

**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 £639k (£309k 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 (CML)** - the current forecast shows a potential under spend of £23k but due to the volatility of some of the income budgets, particularly in leisure services, this position could fluctuate before the financial year end. Demand on membership numbers continues to show a positive effect and a business plan for the further development of the Denbigh fitness suite will be submitted shortly to enable the venue to meet the current high level of demand at the site.

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 £48k).

The Library Service is due to transfer from CML to Customers and Education Support as part of the recent restructuring of the Council's Senior Leadership team and the budgets will be amended in 2015/16 to reflect this change. Similarly, whilst the Procurement Section has now moved to CML from Finance & Assets, the actual transfer of budgets will only take place with effect from the new financial year.

**School Improvement & Inclusion** – The service is currently projected to under spend by £224k (£240k last month) due to expenditure being lower than planned on Early Years placements for 3 year olds (approx. £50k less than budget) and vacancy savings, relating to a secondment to Welsh Government and partly due to the restructures within the service in response to the Freedoms and Flexibilities exercise. The movement this month relates to the full impact of the in-year grant reduction of the Minority Ethnic Achievement Grant.

**Business Improvement and Modernisation** – The service is currently projected to under spend by £146k due to:

- £46k relates to a delay in planned expenditure on the Digitisation Project as CyMAL are currently funding a related project looking at the Digitisation of the Archives. Their report is now not expected until the end of February therefore the majority of the council funded work will now take place next financial year. The service therefore requests that this under spend is carried forward into next year to fund this activity.
- £100k relates to a Welsh Government grant relating to the revenue costs of installing broadband in Denbighshire Schools. The grant is claimed against actual revenue expenditure for which there is base budget. However the grant conditions require that the resultant under spend is invested in 'added value' schools broadband projects. It is recommended therefore that these funds are placed in a specific reserve in order to ensure that the investment is planned and executed properly. The funds will be fully utilised in 2015/16.

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

**Finance & Assets** – is forecast to under spend by £75k. The movement is a result of a slight increase in income from the industrial estates portfolio in Property alongside a reduction in projected Repairs and Maintenance expenditure. It is requested that the additional under spend be carried forward to fund the R&M programme in 2015/16. Vacancy savings in Finance account for £20k of the under spend which is earmarked to fund restructure costs in April 2015.

**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 £319k (£438k last month) is currently projected relating to the following areas:

The over spend within the School Transport Service has reduced to £182k (£221k last month). The reduction relates to changes to a number of contracts, including the maximisation of the usage of service buses where available.

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 to £200k. 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.

There is now a projected underachievement of income of £192k (£116k last month) due to a continuing trend of the reduction in the number of jobs received from North and Mid Wales Trunk Road Agency. 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.

As indicated in last month's report, the service has started to review their specific reserves in order to identify any amounts that might prudently be released in order to help fund this year's overspend. However it needs to be noted that the areas of overspend are as a result of ongoing issues and any funds from reserves will, by their nature, be one-off cash sums which do not permanently resolve the underlying issues.

As part of this review the service has released £110k from the Waste Reserve which has helped to contribute to the reduction in the overall overspend for Environment and Highways.

**Planning & Public Protection** - currently reporting a break-even position but this includes significant one-off incurred as part of restructuring the service.

Any final overspend is to be offset centrally and repaid over the next two years as agreed by the Head of Finance & Assets.

**Community Support Services (Adult & Business Services)** - the current forecast for 2014/15 is for a small non-recurring under spend of £81k (£41k reported last month). The under spend is 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.

The forecast under spend may reduce as temporary additional social work support is being provided to undertake the consultation process for the future delivery of provider services.

The Cefndy Healthcare and Manufacturing Unit is forecast to under spend its budget by £6k at year end but a degree of caution needs to be taken as the majority of the trading income is subject to the competitive external market and could fluctuate between now and the year end.

**Economic Business Development** - it is assumed that any under spend on Town & Area Plan budgets will be carried forward as agreed as part of the 2015/16 budget savings proposal. Latest indications are that this under spend will be approximately £150k depending on actual spend between now and the financial year end. In addition £45k was carried forward from the 13/14 budget to fund costs in respect of coastal facilities support and it now seems likely that only £25k will be spent this financial year. However the balance will need to be rolled forward to fund the remaining costs in 15/16.

Also the Economic Community Ambition (ECA) function originally had £152k revenue budget for 14/15, of which £50k was transferred to Property Services to fund the Strategic Commercial Development team. Of the budget remaining £56k has been spent to date and it seems likely that there might be circa £30k remaining which needs to be ring-fenced and allocated to projects agreed by the ECA Board.

**Children & Family Services** – the current forecast is for a net under spend of £227k (unchanged from last month). The overall under spend 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 Council agreed to set aside £250k of last year's budget to fund the costs of enhancing foster carer's properties. So far, three foster carers have agreed to take part in the project. Property Services have been assessing the likely cost implications of carrying out the works to the 3 properties and this is projected to be in the order of £145k in total. Detailed plans are currently being prepared and once these are finalised formal planning applications will be submitted. Further work is also being undertaken to see whether there are any further foster carers willing to take part in the project as there is potentially significant cost savings that can be realised from this initiative in the longer term.

In 2013/14, a reserve of £250k was established to fund initiatives for children with disabilities. To date £113k has been spent. The remaining sum is all committed but might run into the new financial year. A separate report will be prepared in due course to detail the expenditure and the positive outcomes achieved to date.

**Schools** - At the end of January the projection for school balances is £3.078m, which is a reduction of £0.814m on the balances brought forward from 2013/14 (£3.892m). The non-delegated budget is currently projected to under spend by £23k.

**Corporate** budgets are forecast to be under spent by £170k. 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 £35k compared to a budgeted increase of £163k. HRA balances are forecast to be £1.322m at the end of the year. The Housing Capital Plan forecast expenditure is £5.3m.

**Treasury Management** - At the end of January, the council's borrowing totalled £148.546m at an average rate of 5.45%. Investment balances were £37.4m at an average rate of 0.59%

Expenditure on the council's **Capital Plan** was £19.5m against a Plan of £36.1m at the end of January. The Capital Plan includes an estimated £11.8m 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.