

Report To: Cabinet

Date of Meeting: 24th February 2015

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 £705k (£639k 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 96% are classed as achieved. There is a cash contingency to cover any savings not fully achieved within the financial year and approximately £100k of this may be required this year.

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 shows a potential underspend of £58k which is mainly due to the continued increased

demand on membership numbers at the leisure centres as well as some of the 2015/16 budget savings agreed as part of the Freedoms & Flexibilities exercise starting to be implemented in readiness for the new financial year.

Cabinet has previously agreed to the setting up of an Equipment Reserve as part of the Council's mid-term budget strategy of working towards net zero budgets for leisure centres and therefore any final underspend in 14/15 can be transferred to the Reserve subject to Cabinet agreement. In addition the Department is earmarking some of the final underspend to fund some one-off staff costs that are required as part of the savings proposals agreed for 2015/16.

The Foryd Harbour continues to develop and as previously agreed any revenue funding shortfall will be met corporately in 14/15. Currently the requirement is forecast to be £60k which includes marine licensing costs required as part of the Harbour Empowerment Order.

School Improvement & Inclusion – The service is currently projected to under spend by £214k (£224k 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 partly to a secondment to Welsh Government and partly due to the restructures within the service in response to the Freedoms and Flexibilities exercise.

Business Improvement and Modernisation – the service is currently projected to underspend by £30k due to a delay in spend relating to some ICT projects which will now be incurred in 2015/16. The under spend of £31k is after the transfers to specific reserves actioned following last month's report:

Legal, HR & Democratic Services - the service is currently projected to underspend by £53k largely due to a delay in the procurement of Case Management Software to replace an existing system which will not now proceed until next financial year. It is recommended that the service underspend be carried forward into 2015/16 to fund this expenditure along with anticipated expenditure to upgrade or replace the equipment in the Council Chamber.

Finance & Assets – is forecast to under spend by £88k. The movement is a result of some delays to works on grade listed buildings. It is requested that the additional under spend be carried forward to fund the Repair & Maintenance programme in 2015/16. Vacancy savings in Finance account for £18k of the under spend which is earmarked to fund restructure costs in April 2015.

Highways & Environmental Services – As indicated in previous reports the service has faced a number of pressures and risks in 2014/15. An over spend of £181k (£319k last month) is currently projected. The improved position largely relates to the early achievement of some planned efficiency savings which were agreed as part of the 2015/16 budget proposals alongside the release of some contingency budgets which have not been required due to the

favourable weather conditions over the winter. The current projection still includes some contingencies which will be reviewed over the coming weeks with the aim of trying to bring the service into a break-even position by the end of the financial year.

Underlying overspends around school transport, car parking income and the reduction in the number of jobs received from North and Mid Wales Trunk Road Agency will continue to be a risk in the new financial year.

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 non-recurring underspend of £104k (£81k reported last month). The under spend is due 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.

It is proposed that part of the current year underspend be earmarked to finance the costs of employing two independent agency social workers for a six month period to assist with the consultation process as part of the review of future delivery of social care provider services. In addition a proposal is being considered that would enable support staff to vacate the Trem-y-Dyffryn premises in Denbigh to reduce future year revenue costs. In order to achieve this however there will be a need to fund some upfront ICT costs to enable the staff to relocate to the offices in Ruthin. The move is likely to take place early in the new financial year and therefore any remaining underspend from 14/15 could be set aside to fund these one-off costs.

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 could be up to £150k depending on actual spend between now and the financial year end. In addition £45k was carried forward from the 13/14 underspend 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 that will fall in 15/16.

Also the Economic Community Ambition (ECA) priority 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.

Children & Family Services – the current forecast is for a net under spend of £215k, which is down slightly from the £227k reported last month due to a new independent specialist placement. The overall underspend is partly due to

several of the agreed budget savings proposals for 15/16 having already been fully implemented this year.

Schools - At the end of February the projection for school balances is £3.025m, which is a reduction of £0.867m on the balances brought forward from 2013/14 (£3.892m). The non-delegated budget is currently projected to break even.

Corporate budgets are forecast to be under spent by £90k. It is assumed that any in-year corporate under spends or unallocated contingencies will contribute to the funding of the Corporate Plan. The forecast underspend has reduced this month as assumptions around writing off costs associated with the Scala Cinema have been included.

Although not part of the current revenue budget, the council has previously made a provision to cover the cost of payments arising from historic equal pay claims. The provision was established several years ago when the risk of claims first emerged but there was a level of uncertainty around the final cost and timing of the outcome. The claims are now substantially resolved and will result in part of the provision not being required – this could be approximately £1m. The council acted prudently to make the provision based on the best information available at the time. The outcome allows the remaining provision to be released and to be invested in other priorities. As such it is assumed that the benefit from this will transfer to support the funding of the Corporate Plan.

Corporate Plan cash reserves at the beginning of 2014/15 were £14.4m. Accounting for the transfer above, cash raised to fund the Plan by the end of the year will total £18.3m, of which £11m is either spent or committed to current schemes, such as Rhyl High School. The remainder is required to fund future schemes identified in the Plan.

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 February, 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 £23.7m against a Plan of £34.5m at the end of February. This suggests £10.8m of expenditure before the end of the year. However, given the nature and timing of capital expenditure this is feasible as effectively there is still two months' worth of works to be paid for. By comparison, the figure at the same point last year was £11m and this was spent by the time the accounts closed. 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.