

Report To: Cabinet

Date of Meeting: 30th June 2015

Lead Member / Officer: Councillor Julian Thompson-Hill /Richard Weigh

Report Author: Steve Gadd, 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 2015/16. The report also provides a summary update of the Capital Plan as well as 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 2015/16 and progress against the agreed budget strategy.

4. Report details

The report provides a summary of the council's revenue budget for 2015/16 detailed in **Appendix 1**. The council's net revenue budget is £185m (£188m in 14/15). The position on service and corporate budgets is a forecast underspend of £0.534m. Further narrative around the reasons for variances and the risks and assumptions underlying them are outlined below.

Savings of £7.3m were agreed as part of the budget and a summary of the savings is shown as **Appendix 2**. 72% of the savings have already been achieved. Progress on the remaining 28% will be monitored closely over the coming months, however there is a high degree of confidence that the majority of these savings will also be achieved.

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?

Significant service narratives are shown in the following paragraphs.

Children's Services – The service is currently expected to underspend by £80k due to a projected decrease in legal costs. However projections in this service can change as the year progresses due to possible in-year changes in high cost placements.

Other Service Risks / Assumptions – Although other services are currently projected to break even there are a number of risks and assumptions that will be monitored closely over the coming months and reported to Members.

These include:

- Early indications are that Leisure income levels remain strong and may result in a positive budget position as the year progresses.
- Risks around School Transport, Parking and the work carried out on behalf of the Trunk Road Agency remain in 2015/16. It is currently projected that management action already identified during 2014/15 will allow the Highways and Environmental Service to break-even overall this year.
- The proposal to create and increase a severe weather reserve from the previous year's Highways and Environmental Service underspend contained in the Financial Outturn Report (which also absorbed the existing winter maintenance reserve and a previous provision set aside for floods) will help to mitigate the financial risks associated with the cost of responding to any future severe weather events. It is projected that this contingency will enable volatile service areas such as Winter Maintenance to be delivered within existing budgets.

Schools brought forward balances of £3.538m from 2014/15. They are currently working on detailed financial plans for the new academic year.

Corporate – It is currently projected that there will be an underspend on Corporate budgets of £0.454m as a result of an ongoing review of contingency budgets held centrally. The current assumption is that corporate underspends will be used to support the delivery of the Corporate Plan.

Corporate Plan cash reserves at the beginning of 2015/16 are £17.413m. Allowing for projected funding and expenditure during the year, the Corporate Plan balance at the end of the year is estimated to be £6.538m.

The **Housing Revenue Account (HRA)** is currently being reported as per the agreed Budget, approved by Cabinet in February 2015. However as a result of the increased 14/15 surplus, the projected balance at year end has increased to £1.9m (from £1.5m). A review of the HRA operational budget is on-going to take into account a number of legislative changes and operational restructuring.

The Capital budget of £7.8m is allocated across Repairs and Maintenance planned repairs (£7.2m), Environmental Improvements (£0.5m) and an IT project (£150k).

Treasury Management – At the end of May, the council's borrowing totalled £184.813m at an average rate of 5.13%. Investment balances were £25.194m at an average rate of 0.50%.

A summary of the council's **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £40.4 with expenditure to date of £2.89m. Also included within Appendix 2 is the proposed expenditure of £29.2m on the **Corporate Plan**.

Appendix 4 provides an update on the major projects included in the Capital Plan.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

A detailed impact assessment was produced as part of the budget setting process and was reported to Council in December 2014.

8. What consultations have been carried out with Scrutiny and others?

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Specific proposals were reviewed by scrutiny committees. There were ten budget workshops held with elected members to examine service budgets and consider the budget proposals.

There was a public engagement exercise to consider the impact of budget proposals and there are ongoing discussions between some of the county council's services and some Town councils. The council has consulted its partners through the joint Local Service Board and specific discussions have taken place with the Police.

All members of staff were kept informed about the budget setting process and affected staff have been or will be fully consulted, in accordance with the council's HR policies and procedures. Trade Unions have been consulted through Local Joint Consultative Committee.

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.