

Report to: Performance Scrutiny Committee

Date of Meeting: 5th April 2012

Lead Member/Officer: Lead Member (Finance and Efficiency)/
Head of Finance and Assets

Report Author: Acting Principal Accountant

Title: Finance Report 2011/12

1. What is the report about?

The attached report is the Finance Report that was taken to Cabinet in March and reviewed the Council's budgetary position as at the end of February 2012. The report includes the Council's revenue budget and the Housing Revenue Account budget.

2. What is the reason for making this report?

To review the Council's performance against its budget strategy for 2011/12 as defined in the Medium Term Financial Plan (MTFP).

3. What are the Recommendations?

To note and comment on the latest financial position and identification of areas of potential overspend/under spend and budgetary pressures and delivery of the Council's budget strategy and MTFP

4. Report details.

The monthly finance monitoring report gives an update on the movements on the year end forecasts for the Council's revenue budget along with a summary of the capital plan and the Housing Revenue Account (HRA). Annex 1 is the report that was presented to Cabinet in March.

The report shows that the Council is likely to under spend by about £846k on its services excluding schools and £400k on corporate budgets. A number of these savings have arisen as services begin to make preparations for savings in 2012/13. During the budget setting process an allowance of 5% for slippage against savings was made. As the savings target is likely to be achieved in full, it was agreed as part of the budget setting to carry the cash forward to invest in priorities in 2012/13. The agreed allocation was £200k toward the investment in the 21st Century schools/modernising education project and £100k to the development of town plans and communities. Currently schools are forecasting a net over spend of £505k which includes seven schools in financial difficulty. If the position remains the same, at the end of the financial year, the movement on school balances for the year would be a net reduction

of £505k. Schools carry negative balances forward to the next financial year so that other schools' balances are not affected.

The external financial environment continues to be highly volatile and is both a short term risk for investments but also a longer term risk for the future financial settlements the Council may receive. The short term risks are managed through the Council's Treasury Management Strategy and overseen by the Corporate Governance Committee. The longer term risks are managed through the Medium Term Financial Plan (MTFP).

At the Performance Scrutiny Committee in January, members asked for information about the Council's borrowing and capital financing requirement in comparison to other Welsh councils. The Council's prudential indicators are based on nationally agreed formulas and are produced so that an assessment on the levels of debt and borrowing in comparison to the Council's overall budget and capital requirements can be made. It can be misleading to compare councils' capital financing requirement, debt and prudential borrowing figures in absolute terms as it takes no account of local circumstances or investment decisions. For example, councils with a relatively low debt or borrowing position may have significant backlogs of capital works to fund in future. A good example of this is in relation to improvements to housing stock – Denbighshire has borrowed to invest in improving its stock but as a consequence, does not have the significant backlogs that some other authorities are now facing.

However, to try to inform the relative position a number of graphs are enclosed as an appendix to this report (Appendix 6). The data presented in the graphs is collected from the CIPFA Capital Expenditure and Treasury Management Statistics 2010/11 and includes data returned from Welsh councils. There are five graphs in total showing:

- Total Capital Financing Requirement
- Capital Financing Requirement per Head of Population
- Total Debt
- Debt per Head of Population
- Cumulative Prudential Borrowing

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?

Refer to the attached Cabinet report where full details are reported.

7. What consultations have been carried out?

The revenue budget was recommended by Cabinet and agreed formally by Council after an extensive round of service challenges. The capital plan was approved by Council following scrutiny by the Capital & Assets Strategy Group and recommendation by Cabinet. The Housing Revenue Account has been approved following consultation with elected members and tenant federation representatives.

8. Chief Finance Officer Statement

The full Chief Finance Officer statement is contained in the attached cabinet report.

9. What risks are there and is there anything we can do to reduce them?

See attached cabinet report.

10. 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.

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