

**Report To:** CABINET

**Date of Meeting:** 17<sup>th</sup> July 2012

**Lead Cabinet Member:** Councillor Julian Thompson-Hill

**Lead Officer:** Paul McGrady, Head of Finance & Assets

**Title:** Finance Report

**1 What is the report about?**

The report gives details of the council's revenue budget and savings as agreed for 2012/13 as at the end of June 2012. The report also gives a summary update of the Capital Plan, the Housing Revenue Account and Housing Capital Plan.

In addition, the report brings forward a recommendation from the Strategic Investment Group for approval. It relates to a capital scheme to improve the provision of library services in Prestatyn.

**2 What is the reason for making this report?**

The report advises members of the format of the budgets and sets out the reporting structure for the coming year. At this stage there are no deviations from the agreed budget strategy for 2012/13 as defined in the Medium Term Financial Plan, the Capital Plan and the Housing Stock Business Plan.

To seek Cabinet approval for a significant capital scheme.

**3 What are the Recommendations?**

Members note the budgets and savings targets for the year and progress against the agreed budget strategy.

Members approve the capital project to improve library services in Prestatyn as shown in Appendix 5.

**4 Report details**

The latest revenue budget forecast is presented as **Appendix 1** and shows a balanced position across all services, including schools and corporate budgets.

The Housing Revenue Account summary is also included in Appendix 1 for information but this is a separate fund and not part of the council's revenue budget.

**Appendix 2** to this report gives an update showing progress against the savings and pressures agreed as part of the 2012/13 budget setting process. In total, net savings of £3.443m were agreed and £1.312m (38%) has been achieved with £2.131m (62%) still classed as in progress. Although 62% of the items are still classed as 'in progress' none of the savings listed are thought to be unachievable and this % should drop significantly during the course of the next few months.

## **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?**

This section of the report is used to highlight any key variances from budget or savings targets, risks or potential additional savings that may arise throughout the year and to give a more general update on the Capital Plan and the Housing Revenue Account. The position at this early stage of the financial year assumes very little variances from the agreed budgets but detailed below are those service areas that warrant further explanation. Undoubtedly, variances will emerge across services as the year progresses. In addition, ahead of the next Cabinet Report Departments will need to clearly set out how they intend to utilise any revenue underspends that are being rolled forward from the 11/12 financial year.

**Revenue Budget** – the main points at this early stage are:-

**Communication, Marketing & Leisure** – The budget for the Rhyl Integrated Children's Centre Oaktree Centre is under pressure due to the loss of £80K grant funding. While the service is taking action to reduce expenditure it is likely that this facility will overspend by £40K. Future years' pressures will be dealt with during the service challenge / budget setting process.

In the **Planning, Regeneration & Regulatory Services** Department there is potentially a £50K pressure on the Rhyl Regeneration revenue budget as a result of unfunded staffing posts within the team and also due to increased costs associated with the Rhyl in Bloom project. It is proposed that part of the £91K Regeneration underspend from 11/12 is rolled forward to finance these costs in 12/13.

**Adult Services** budgets are shown as balanced but at this stage assume that approximately £312K of the Supporting People Reserve will be used to fund the pressures within year. This was part of the strategy agreed at previous Service Challenge meetings and the specific reason for the original creation of the Reserve.

The **Environment Services Department** has a budget savings target of £771K for 12/13 and encouragingly is already well on course to achieve this high level of savings.

**Schools** - as at June the projected 2012-13 school balances are £1,757m. This is a negative movement of £44k from the balances of £1,801m brought forward in 2011-12. We are currently working with 2 schools that are in financial difficulty with their deficit balances totalling (£401k). These schools have recovery plans in place and are actively working to the targets set out in these plans.

**Capital Plan** – The final outturn for 2011/12 was £34.047m. Expenditure to the end of June 2012 is £2.39m against a plan of £36.6m for 2012/13. **Appendix 3** shows a summary of the 2011/12 expenditure and 2012/13 plan, together with details of how it is financed. An overview of major capital projects is shown as Appendix 4.

In June, the Strategic Investment Group was presented with two capital projects to consider. The first is the subject of a separate report in relation to the Ruthin Leisure complex. The second was in relation to a project to relocate and improve the library facilities in Prestatyn. A submission in relation to this project is included as Appendix 5. The Strategic Investment Group recommends that Cabinet approves both projects.

**Housing Revenue Account (HRA)** – The latest HRA forecast shows a planned in-year deficit of £202k. This includes funding capital expenditure of £602k from revenue as part of the agreed Housing Stock Business Plan for 2012/13. The Business Plan remains viable and based on the latest forecast, the HRA balance carried forward will be £662k.

The Housing Capital Plan is forecast to spend £7.5m in 2012/13 which is part-funded by prudential borrowing (£4.4m). The achievement of Welsh Housing Quality Standard by the end of 2012/13 remains on target and a detailed stock condition survey is being completed currently. This survey will help inform capital investment and business planning assumptions going forward.

A summary of the latest HRA position is shown in the table on the following page.

***Housing Revenue Account & Capital Plan Summary:***

<b><u>Housing Revenue Account Summary 2012/13</u></b>	
<b><u>June 2012</u></b>	
<b>Expenditure</b>	<b>£'000</b>
Housing Management & Maintenance	5,683
Capital Charges	2,661
Subsidy	3,148
Provision for Bad Debts	29
Revenue Contribution to Capital	602
<b>Total Expenditure</b>	<b>12,123</b>
<b>Income</b>	
Rents	11,753
Garages	159
Interest	9
<b>Total Income</b>	<b>11,921</b>
<b>In Year Deficit</b>	<b>-202</b>
<b>HRA Balance Carried Forward</b>	<b>662</b>

<b><u>Housing Capital Plan</u></b>	
<b><u>June 2012</u></b>	
	<b>£,000</b>
Planned Expenditure	7,452
<b>Funded By:</b>	
Major Repairs Allowance	2,400
Revenue Contribution	602
Capital Receipts	17
Prudential Borrowing	4,433
<b>Total</b>	<b>7,452</b>

## **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 Strategic Investment 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**

This report highlights the revenue and capital budgets as agreed for 2012/13 and demonstrates how the council's finances will be reported to Cabinet throughout the year. Services are expected to deliver the savings agreed through the Service Challenges and budget setting processes and at this stage seem to be on target to achieve these. The next report will give an updated position and also show how Departments intend to utilise any revenue underspends rolled forward from 2011/12. 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.

### **Economic Commentary & Treasury Management Update**

The financial markets remain extremely volatile and this continues to limit the number of institutions with which the council can invest and the length of investments the council can make. Both of these issues limit the returns the council can achieve. As the uncertainty in the markets continues, the council's policy limits most new investments to overnight deposits. There are only two counterparties with which the council is prepared to place funds for up to one week. This strategy of making very short-term investments is likely to continue for the medium term.

Total borrowing currently stands at £135m at an average rate of 5.74% and total investments are £34.5m at an average rate of 0.94%.

### **9 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 and early reporting of variances will help ensure that the financial strategy is achieved.

Specific risks are apparent when dealing with capital projects and can include expenditure or time overruns, funding issues and other non-financial considerations. A robust approval mechanism and close financial monitoring and reporting, along with effective project management procedures, help to minimise these risks.

The HRA is undertaking a considerable capital investment to improve the housing stock and using borrowing and grants to fund the works. Any borrowing must be affordable and the regular monitoring and annual approval and viability assessment of the Housing Stock Business Plan ensures that this is so.

### **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.