

Report To: CABINET

Date of Meeting: 4th September 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 July 2012. The report also gives a summary update of the Capital Plan, the Housing Revenue Account and Housing Capital Plan.

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 significant 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.

3 What are the Recommendations?

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

4 Report details

The latest revenue budget forecast is presented as **Appendix 1** and shows a small over spend 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 £1.774m (58%) has been achieved with £1.669m (42%) classed as in progress. Although items are still classed as 'in progress' none of the savings listed are thought to be unachievable and the percentage of savings classed as achieved should increase steadily over the coming 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 to the end of July continues to assume few variances from the agreed budgets but detailed below are areas that require further explanation.

All departments will be required to clearly set out assumptions and progress in relation to use of revenue balances carried forward from 2011/12 for inclusion forward in the report to Cabinet in October.

Revenue Budget

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 and it has been agreed that this will be funded corporately this year. 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 reported in July. It is proposed that part of the £91k Regeneration under spend from 2011/12 is rolled forward to finance these costs in 12/13.

Adult Services budgets are shown as balanced but at this stage assume that approximately £293k 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 is well on course to achieve this high level of savings.

Modernising Education & Customer Care budgets are currently projecting a small under spend of £45k. These are in year surpluses due to a staffing restructure which is currently being implemented.

Schools - as at July the projected 2012/13 school balances remain at £1.757m. This is a negative movement of £44k from the balances of £1.801m brought forward from 2011/12. The council is currently working with two schools that are in financial difficulty with 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 estimated outturn is £3.8m at the end of July against an agreed Plan of £37.3m. **Appendix 3** shows a summary of the current plan and how it is financed. An overview of major capital projects is shown as **Appendix 4**.

Housing Revenue Account (HRA) – The latest HRA forecast shows a planned in-year deficit of £226k. This includes funding capital expenditure of £602k from revenue as part of the agreed Housing Stock Business Plan for 2012/13. The latest outturn includes increased expenditure forecasts on supervision and management lines, where some one-off costs supporting service improvement have been included. Expenditure on repairs is also forecast to be above the budget at this stage but this is being addressed and may reduce in the coming months. The Business Plan remains viable and based on the latest forecast, the HRA balance carried forward will be £709k.

The Housing Capital Plan is forecast to spend £7.6m in 2012/13 which is part-funded by prudential borrowing (£4.5m). 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 below.

Housing Revenue Account & Capital Plan Summary:

<u>Housing Revenue Account Summary 2012/13</u>	
<u>July 2012</u>	
Expenditure	£'000
Housing Management & Maintenance	5,635
Capital Charges	2,661
Subsidy	3,148
Provision for Bad Debts	29
Revenue Contribution to Capital	602
Total Expenditure	12,075
Income	
Rents	11,752
Garages	159
Interest	9
Total Income	11,920
In Year Surplus /(Deficit)	155
HRA Balance Carried Forward	709

Housing Capital Plan	
July 2012	£,000
Planned Expenditure	7,575
Funded By:	
Major Repairs Allowance	2,400
Revenue Contribution	602
Capital Receipts	17
Prudential Borrowing	4,556
Total	7,575

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 them. The report to Cabinet in October will provide a detailed update in relation to the use of balances carried 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. This strategy of making very short term investments is likely to continue for the medium term.

Total borrowing currently stands at £134.39m at an average rate of 5.75% and total investments are £22.0m at an average rate of 0.76%.

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.