

**Report To:** CABINET

**Date of Meeting:** 20<sup>th</sup> November 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 October 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?**

To update members on the current financial position of the Council

**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 an under spend across service and corporate budgets of £210k. The position for schools forecasts positive net movement on balances of £169k.

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 main 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 £2.423m (70%) have been achieved with £995k (29%) classed as in progress and £25k (1%) has been deferred to next year. The deferral relates to savings due to printer rationalisation. Although items are still classed as 'in progress' none of the savings listed are thought to be unachievable. The corporate saving target around the conversion of some essential car users to casual user status and the impact of changing the disregard rules applicable to home to work business travel will be achieved. The detailed impact on individual service budgets is being assessed.

**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 October shows that most services expect to achieve a balanced budget. Detailed below are areas that require further explanation.

### **Service Budgets**

**Highways & Infrastructure** - There are pressures in Asset Management and Parking Services, however these will be contained within the overall service budget.

**Adult Services** There is currently an in-depth budget realignment exercise taking place across the service to ensure that budget matches current service demand and expectation. The latest forecasts indicate an overall budget pressure of £241K which is as a result of overspends on the Learning Disabilities service (high cost residential placements) but as part of the agreed budget strategy, any final year end overspend will be offset by utilising the Supporting People Reserve, leaving a net break-even position for the Department in 12/13.

**Children & Family Services** - The service is currently forecasting to break-even overall but this is on the assumption that under spends on salary costs across the Department will be used to offset an anticipated pressure of circa £81K on the Genesis II project. The pressure includes an element for redundancy costs for three of the post holders who have not been redeployed to other jobs within the Council.

**Housing & Community Development (Including Regeneration)** – The non-HRA Housing budget is forecast to be on target. Within the Regeneration budget, there is a £50k pressure this year on the Rhyl Going Forward project. The budgets will be reported separately next month.

**Communication, Marketing & Leisure** - There is every confidence that this year's savings target of £365K will be achieved by the Department and most service areas are on track to break-even. However, the Department is showing a net overall overspend of £39K, which is as a result of a budget pressure of £40K on the Records Management budget due to a secondment of a member of staff from Customer Services to a newly created temporary post.

**Environmental Services** is projected to under spend by £113K in 2012/13 mainly as a result of additional income being realised from the sale of recycle materials. The Head of Service will be reporting this positive gain at the Service Challenge meeting being held later in November, when possible extra savings for 2013/14 will be outlined.

**Modernising Education & Customer Care** budgets are currently projecting a small under spend of £58k. These are in year surpluses due to a staffing restructure which is currently being implemented.

**Schools** - as at the end of October the projection for school balances is £1.970m. This is a positive movement of £169k on 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 £456k. These schools have recovery plans in place and are actively working to the targets set out in these plans.

The **Capital Financing Budget** is forecast to be under spent by £125k this year as the council has undertaken less borrowing than anticipated which has reduced borrowing and transaction costs.

## **Capital Plan**

Expenditure to the end of October is £11.8m against an agreed Plan of £33m. **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 remains unchanged and shows an in-year deficit of £77k. This compares to a budgeted in-year surplus of £71k. The budget and outturn however include a provision to fund capital expenditure from revenue. The latest assumption is that £431k will be used to fund capital expenditure. The Business Plan remains viable and based on the latest forecast, the HRA balance carried forward will be £794k, compared to a budgeted projection of £942k.

The Housing Capital Plan is forecast to spend £7.4m in 2012/13 which is part-funded by prudential borrowing (£4.6m). The achievement of Welsh Housing Quality Standard by the end of 2012/13 remains on target and a detailed stock condition survey has recently been completed.

The draft Subsidy Determinations should be received from Welsh Government in the next few weeks. These will determine key elements of the HRA budget for 2013/14 - assuming the national subsidy system continues into 2013/14. This seems likely and the proposed changes to council housing finance in Wales, from the existing subsidy system to a self financing model, will not now be introduced until 2014/15.

A summary of the latest HRA position is shown in the table below.

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

<b><u>Housing Revenue Account Summary 2012/13</u></b>	
<b><u>October 2012</u></b>	
<b>Expenditure</b>	<b>£'000</b>
Housing Management & Maintenance	5,814
Capital Charges	2,662
Subsidy	3,081
Provision for Bad Debts	29
Revenue Funding Capital Expenditure	431
<b>Total Expenditure</b>	<b>12,017</b>
<b>Income</b>	
Rents	11,777
Garages	158
Interest	5
<b>Total Income</b>	<b>11,940</b>
<b>In Year Surplus /(Deficit)</b>	<b>(77)</b>
<b>HRA Balance Carried Forward</b>	<b>794</b>

<b><u>Housing Capital Plan</u></b>	
<b><u>October 2012</u></b>	
	<b>£,000</b>
Planned Expenditure	7,437
<b>Funded By:</b>	
Major Repairs Allowance	2,400
Revenue Contribution	431
Capital Receipts	17
Prudential Borrowing	4,589
<b>Total</b>	<b>7,437</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 them. 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 £134.08m at an average rate of 5.76% and total investments are £18.0m at an average rate of 0.75%.

### **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.