

Report To: CABINET

Date of Meeting: 15th January 2013

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 December 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 £453k, which represents a variance of 0.39% across the total net budget. The position for schools forecasts positive net movement on balances of £121k.

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 £2.834m (82%) have been achieved with £584k (17%) classed as in progress and £25k (1%) has been deferred to next year. The deferral relates to savings due to printer rationalisation. One item within Children's Services (Reshaping the Supervised Contact Service - £43k) will now be delivered next year and has been replaced in the current year by other savings as reported last month. The remaining items still classed as 'in progress' are all thought to be achievable, but in most cases require analysis of a full year's activity to

properly assess whether the saving measure listed has actually been 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?

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. Detailed below are areas that require further explanation.

Service Budgets

Adult & Business Services - the 2012/13 outturn is currently reported as a break-even budget, although an over spend of approximately £180K is currently predicted (down from the £209K reported last month). As part of the agreed budget strategy (and also confirmed at previous Service Challenge meetings) the final overspend will be offset by utilising the Supporting People Reserve in 12/13. The reduced forecast over spend follows a detailed review of each area of spend following the recent budget realignment process undertaken across the Department.

Children & Family Services - the outturn is currently forecast to be an under spend of £60K (from a break-even position last month). The positive change relates to a previously reported overspend on the Genesis Project of £58K to an under spend of £1K this month, which is due to DfES now agreeing to honour the match funding evidence previously not accepted. The final under spend could increase as a number of issues are provided for in the outturn but are still to be resolved or implemented before the financial year end. The total of these is £154k and includes a dispute with the NHS about contributions to a care package (£76k) and staffing and other potential costs of £78k.

Housing & Community Development (Including Regeneration) – The **non-HRA Housing** budget is forecast to be on target. A previous pressure reported within the **Regeneration** budget (£44k pressure on the Rhyl Going Forward project) has been removed as the proportion of scheme costs claimable from external grants has increased.

The **ICT** budget is now forecast to be under spent by £23k. The service has been faced with significant additional licensing costs this year which have been absorbed within existing budgets.

Schools - at the end of December the projection for school balances is £1.941m. This is a positive movement of £121k on the balances of £1.801m brought forward from 2011/12. The council continues to work with two schools in financial difficulty. Both schools have recovery plans in place and are actively working to the targets set out in these plans.

A review of the Council Tax yield suggests that the collection rate is higher than the amount budgeted for. The flooding will have an impact on this as some households will qualify for relief. It is assumed that any benefit from the council tax yield will be used to contribute to the funding of the council's strategic investment priorities as part of the Corporate Plan.

Capital Plan

Expenditure to the end of December is £17.07m against an agreed Plan of £37.8m. **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 £63k. This compares to a budgeted in-year surplus of £71k. The budget and outturn however includes a provision to fund £431k of capital expenditure from revenue. The Business Plan remains viable and based on the latest forecast, the HRA balance carried forward will be £808k, 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). Welsh Housing Quality Standard is expected to be achieved during 2013.

Draft Housing Subsidy Determinations for 2013/14 were received from Welsh Government in December with final Determinations due to be published in mid-January. This confirms that the housing subsidy system will remain for at least another year. The Determinations and the impact on rent setting and the HRA budget are being analysed currently and, along with the results of the recent Stock Condition Survey, will be incorporated into a revised Housing Stock Business Plan to be presented to Cabinet in February.

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

Housing Revenue Account & Capital Plan Summary:

| Housing Revenue Account Summary 2012/13 | |
|--|---------------|
| December 2012 | |
| Expenditure | £'000 |
| Housing Management & Maintenance | 5,799 |
| Capital Charges | 2,662 |
| Subsidy | 3,081 |
| Provision for Bad Debts | 29 |
| Revenue Funding Capital Expenditure | 431 |
| Total Expenditure | 12,002 |
| Income | |
| Rents | 11,777 |
| Garages | 157 |
| Interest | 5 |
| Total Income | 11,939 |
| In Year Surplus /(Deficit) | (63) |
| HRA Balance Carried Forward | 808 |

| Housing Capital Plan | |
|-----------------------------|--------------|
| December 2012 | |
| | £,000 |
| Planned Expenditure | 7,445 |
| Funded By: | |
| Major Repairs Allowance | 2,400 |
| Revenue Contribution | 431 |
| Capital Receipts | 17 |
| Prudential Borrowing | 4,597 |
| Total | 7,445 |

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

Services are expected to deliver the savings agreed through the Service Challenges and budget setting process and on the whole are 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 quite 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 short term investments is likely to continue for the medium term.

At the end of December, total borrowing was £134.08m at an average rate of 5.76% and total investments were £19.2m 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.