

Report To: CABINET

Date of Meeting: 16th April 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 March 2013. The report also provides a summary update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan.

2 What is the reason for making this report?

To provide an update to members on the council's current financial position.

3 What are the Recommendations?

Members note the 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 £994k (£1.1m last month), which represents a variance of 0.86% across the total net budget. However, of this, £849k is committed to fund expenditure early in 2013/14 or has been proposed for use by services next year, meaning the available under spend is potentially only £111k. The position for schools forecasts positive net movement on balances of £294k (£306k last month) on delegated budgets and £176k on non-delegated school budgets (£161k last month). The movement on non-delegated budgets relates to the number of CRB checks required during the year being fewer than planned.

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.

As reported last month, the council included a net saving target for the year of £3.443m in the 2012/13 budget and 99.3% of the savings have either been achieved or replaced amounting to £3.418m. The remaining £25k related to the printer rationalisation project and has been deferred to next year.

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. Detailed below are areas that require further explanation.

Service Budgets

In the last three finance reports, the narrative supporting services forecasts has referred to several proposals to make contributions to reserves or to carry funding forward to 2013/14. In many cases, the timing of expenditure has been the issue, for example where an action has been delayed but will take place early in the new financial year. The service narrative has previously indicated the reason for the variance and highlighted proposals for use of the funds. The final outturn report to Council in June will formally approve transfers to or from reserves or balances (including carry-forwards) but attached for reference as **Appendix 2** is a summary of the items discussed in previous cabinet reports for information.

Details of notable service variances are discussed below.

Adult & Business Services - the outturn is currently reported as a break-even (£22k over last month). Any in year over-spend will be funded from the Supporting People reserve, hence the balanced position. The improvement is mainly as a result of reduced spend on the Physical Disability budget in relation to residential placements and domiciliary care. In addition to this, the Supporting People grant is likely to generate an in-year surplus of £194k which is proposed to be allocated to the Supporting People reserve.

Highways & Environment Services – the Environment under spend has increased by £12k to £205k due a number of small increases in projected income levels partly offsetting previously reported costs associated with the latest rollout of recycling services.

The Highways and Infrastructure under spend has decreased by £116k to £58k which includes the following changes:

- The recent cold weather is now projected to impact adversely on the projected outturn for Winter Maintenance. It is estimated that the overall Highways Maintenance budget will be overspent by £67k as a result.
- Analysis of fuel usage within Fleet systems suggests that an additional £100k of costs is to be allocated above previous estimates

- As reported last month, there was a late allocation of Welsh Government Regional Transport Support Grant. At the time the estimated figure for DCC provided by WG was £46k but the final allocation for DCC has now been confirmed as £34k.
- Also as highlighted last month, an under spend of £25k is now being reported on a budget relating to equipment expenditure for the Rhyl Coastal Developments. It is requested that this money be made available for planned expenditure in 2013/14 in order to facilitate the opening of the Foryd Harbour development.
- The service has also been able to maximise the use of grant funding in 2012/13 by utilising internal staff resources to deliver regionally funded transport schemes. This has reduced the projected outturn within Traffic and Transportation by £42k.

Children & Family Services - the service is now forecast to under spend by £138k (£35k under last month). The change is due to a £83k saving on the adoption fees budget as a result of four placements not occurring by the year end and a fifth being placed through the North Wales Adoption service where there is no fee charged. Until this month, all of the placements were anticipated to be made by the 31st March. The placements will now take place early in 13/14 so the £83k is a commitment next year and is proposed to be rolled forward to finance the costs. In addition £20k has been set aside throughout the year for a fostering recruitment campaign but this has been delayed. However it is proposed that this is earmarked as a balance to be carried forward because the campaign will be launched in 2013/14.

The pressure reported within **Housing & Community Development** relates to funding of redundancy costs within Regeneration.

Communications, Marketing & Leisure - the current forecast is an under spend of £27k (£1K last month), however £25k of this relates to a rolled forward under spend from 11/12 on the Communications & Marketing budget, intended to be used as part of the restructuring of that service. Unfortunately there has been a delay in the review and this will not be completed until early in 2013/14. It is therefore proposed that the £25k should be earmarked to fund the review next year.

ICT/Business Transformation – in last month's report the service showed an under spend of £27k but this included provision for possible costs associated with a software licence audit by IBM which initially indicated a potential increase to the council's licensing costs. However, confirmation has now been received that the costs will not increase as a result of the audit. It is proposed to earmark the £95k under spend to upgrade existing desktop software. This is something already identified as part of the ICT Strategy Phase 2, discussed with SLT and to be taken back again to the 18th April meeting to get further views.

Customers & Education Support – the under spend has decreased by £26k from last month to £232k. This is mainly a result of the planned transfer of the £35k under spend on School Reorganisations to the Modernising Education Reserve to help fund future school reorganisation costs as highlighted in last month's report. The service has previously proposed that any under spend in the current year be earmarked to fund restructuring costs in 2013/14.

School Improvement & Inclusion – minor changes to the projected outturns for Special Education, Behaviour Support and recoupment have resulted in a decrease in the projected under spend from £142k to £126k. The service proposal is for this to be used to contribute to the funding of the protection for schools affected by the recent changes to the funding formula.

Schools - at the end of March the projection for school balances is £2.114m (£2.125m last month). This is a positive movement of £294k on the balances 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. Non-delegated school budgets are forecast to be £176k under spent which it is assumed will be used to contribute to the school formula protection in 13/14. The total cost of the protection is estimated to be £775k in 2013/14. With the funds identified in this report and applying existing balances brought forward, there is still a potential gap of £152k to be found to provide the full level of protection.

Corporate Budgets – the corporate budgets have been set assuming £1.7m is transferred to reserves as part of the funding strategy for the Corporate Plan. It is likely that the budgets earmarked to generate cash in 2012/13 will generate more than the £1.7m target and £75k is currently forecast (£150k last month). The movement relates to an additional provision being made to cover potential future liabilities arising from the MMI situation reported previously. The final council tax yield and grant funding for Housing Benefit administration will be higher than forecast when the figures are finalised over the coming weeks.

Capital Plan

Expenditure to the end of March is £28.1m against an agreed Plan of £31.1m. Accruals for committed expenditure of £3m will mean the forecast expenditure will be achieved. A summary of how the Plan is financed is shown as **Appendix 3** and an update of the major projects within the Plan is shown as **Appendix 4**.

The capital financing budget forecast outturn has been amended from last month to assume a balanced budget. The movement of £150k arises as an opportunity to repay debt has been taken which reduces the council's capital financing requirement.

Housing Revenue Account (HRA)

The latest HRA forecast is an in-year surplus of £72k (£12k deficit reported last month). This compares to a budgeted surplus of £71k. The movement from last month is as a result of expenditure on management and maintenance being less than forecast and rent yields improving. The balance carried forward is forecast to be £943k. The Housing Capital Plan forecast has reduced slightly from last month as planned expenditure will roll forward into 2013/14. The Welsh Housing Quality Standard will be achieved by the end of 2013/14 and a recent review of the Housing Stock Business Plan confirms it remains financially viable.

Housing Revenue Account & Capital Plan Summary:

Housing Revenue Account Summary 2012/13	
March 2013	
Expenditure	£'000
Housing Management & Maintenance	5,740
Capital Charges	2,654
Subsidy	3,081
Provision for Bad Debts	79
Revenue Funding Capital Expenditure	331
Total Expenditure	11,885
Income	
Rents	11,797
Garages	156
Interest	4
Total Income	11,957
In Year Surplus /(Deficit)	(72)
HRA Balance Carried Forward	943

Housing Capital Plan	
March 2013	
	£,000
Planned Expenditure	7,019
Funded By:	
Major Repairs Allowance	2,400
Revenue Contribution	331
Prudential Borrowing	4,288
Total	7,019

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

The savings agreed for 2012/13 have been achieved or replaced, with one item deferred to next year. 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. The timing of service restructures and delays with other actions plus the award of additional grant funding late in the year has contributed to the in-year surplus reported.

Economic Commentary & Treasury Management Update

The financial markets remain uncertain 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. The strategy of making short term investments is likely to continue for the medium term. At the end of March, total borrowing was £133.27m at an average rate of 5.77% and total investments were £11m at an average rate of 0.77%.

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 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.