Report To: **Cabinet**

Date of Meeting: **14th May 2013**

Lead Member / Officer: **Councillor Julian Thompson-Hill /Paul McGrady**

Report Author: **Richard Weigh, Chief Accountant**

Title: **Finance Report**

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1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2013/14. 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 and confirm service budgets for 2013/14.

3. What are the Recommendations?

Members note the progress against the agreed budget strategy.

4. Report details

The report provides a summary of the council's revenue budget for 2013/14 **(Appendix 1)**. As the 2012/13 position has not yet been finalised, there are no service variations to report at this stage.

Appendix 2 to the report shows the progress to date against the savings highlighted in the Medium Term Financial Plan for 2013/14. At this early point in the financial year, 17% (£517K) of the savings are classed as 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?

Service Budgets

At this stage there are no significant variances to report. The 2012/13 position is being finalised and will inform the May outturn report presented to Cabinet in June. The total net service and corporate budget is £127.7m.

The budget for **schools** is included within Appendix 1. The total net budget for schools is £63.8m. Within the non-delegated element of school budgets, responsibility for breakfast club provision transferred from a specific grant to the council's Revenue Support Grant (RSG) and has resulted in additional funding of approximately £150k. It has been assumed that this additional funding will be used to contribute to providing protection for schools adversely affected by the recent funding formula review.

The **Housing Revenue Account (HRA)** budget is also included within Appendix 1 for reference but HRA resources are separate funds from the council's main resources and can only be used in the provision of council housing services. The HRA budget for 2013/14 is set assuming that capital expenditure of £890k is funded from revenue resources, meaning there is a budgeted reduction in HRA balances of £103k. The Housing Capital Plan is forecast to spend £9.1m and the Welsh Housing Quality Standard should be achieved by the end of 2013/14.

Significant changes to council housing finance in Wales are to be introduced either during 2013/14 or in 2014/15. The HRA is likely to move to a self-financing model and the national subsidy system will be abolished. There are many possible implications to consider but the key issue will be that the council will have to buy out of the subsidy system and incur additional borrowing to do so. The borrowing would be fully funded by existing HRA resources.

A summary of the **Capital Plan** is enclosed as Appendix 3. This includes the planned expenditure against the **Corporate Plan**. The Corporate Plan aims to deliver investment of over £110m in schools, social care facilities and roads over the coming five years. External funding will contribute to the overall cost of investment in schools and roads but the Plan relies upon internal resources to fund borrowing and to provide cash. The cash requirement over the period is over £22m. Some of this should come from capital receipts but the majority will come from existing cash reserves or from budget resources identified to produce cash to fund capital investment activity. The 2013/14 budget specifically earmarked resources of £600k to be allocated to the Corporate Plan Reserve to contribute to funding the Corporate Plan. A more detailed explanation of the Corporate Plan and a review of the funding underpinning it will be presented to the Corporate Governance Committee in May.

The scale of the Corporate Plan means that it will span a 5-7 year horizon and will undoubtedly mean that as it develops, there will be timing differences between planned and actual assumptions around the use of cash. This may mean that earmarked reserves may increase until commitments are made. It is crucial however to appreciate that if resources are diverted through the life of the Plan, the Council will have to decide which of the projects previously identified it would want to cancel.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

Individual services are responsible for carrying out impact assessments on their saving proposals contained within the budget. A summary EqIA was submitted to Council in February 2013 as part of the budget approval process.

8. What consultations have been carried out with Scrutiny and others?

Service challenges were held with each head of service and each challenge included representatives from scrutiny committee and Cabinet. Corporate Plan and Budget workshops were held with members in September, November and December. The capital plan was approved by council following scrutiny by the Strategic Investment Group and recommendation by cabinet.

9. Chief Finance Officer Statement

This report highlights the revenue and capital budgets as agreed for 2013/14 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 process. 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 Council has approved an ambitious Corporate Plan. Underpinning the affordability of the Plan are key assumptions around revenue budgets and cash. Diversion of any resources identified to fund the Corporate Plan will mean that projects would have to be cancelled.

10. 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.

11. 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.