

Report To: Cabinet

Date of Meeting: 30th July 2013

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

Report Author: Richard Weigh, Chief Accountant

Title: Finance Report

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?

The purpose of the report is to provide an update on the council's current financial position and to approve a proposal of the Strategic Investment Group.

3. What are the Recommendations?

Members note the progress against the agreed budget strategy.

Members approve the recommendation of the Strategic Investment Group with regard to design works for Ysgol Glan Clwyd.

4. Report details

The report provides a summary of the council's revenue budget for 2013/14 (**Appendix 1**). The council's net budget is £192m. At the end of June, there is a forecast under spend on service and corporate budgets of £45k (the same as last month) which represents a variance of 0.04%. The position on school budgets is a forecast positive movement on balances of £352k (£322k last month). Non-delegated school budgets are forecast to be under spent by £150k – the majority relating to the breakfast club initiative. As reported last month, the proposal currently is for this to be used as a contribution to fund school formula protection and this is now included as a commitment.

Appendix 2 to the report shows the progress to date against the savings highlighted in the Medium Term Financial Plan for 2013/13. A savings target of £3.061m was agreed for the year and currently 41% are reported as achieved (£1.267m).

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?

Narrative supporting service forecasts where necessary is detailed below:

Highways & Environment Services – Although the Environment and Highways Services is currently showing a nil variance the following points should still be noted:

- There are still a number of high value efficiencies that are in progress. These will be monitored closely over the coming months and progress on achieving these efficiencies will be reported in future monitoring reports.
- The number of school days in the 2013/14 financial year is higher than usual (196 days). This is likely to adversely impact on the School Transport service area. The impact of this has yet to be finalised and it is currently projected that any overspend in this area will be able to be maintained within the overall Highways and Environment budget.

School Improvement & Inclusion – Detailed work is still ongoing to provide a robust estimate for out of county placement costs and recoupment fees. These budgets have under spent in recent years however they remain volatile as they are based on both pupil numbers and often complex negotiations between authorities.

Adults & Business Services - The national requirement to protect social care budgets has resulted in additional funding within the year of £905k. This will be used to fund a number of projects aimed at reducing revenue costs in the future. At this stage, the assumption is that the additional funding will be spent within the year although given the nature of some of the projects proposed it is possible that some expenditure may roll into 2014/15. Two of the initiatives are earmarked to be spread over a 3 year period.

There is a pressure on Homelessness budgets of £42k but this is being absorbed by under spends elsewhere within **Housing and Community Development** mostly as a result of vacant posts.

Schools - at the end of June the projection for school balances is £3.222m, which is a positive movement of £352k on the balances brought forward from 2012/13 (£2.870m).

The **Housing Revenue Account (HRA)** budget is also included within Appendix 1 for reference but HRA resources are separate funds 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 was a budgeted reduction in HRA balances of £103k. However the Housing Subsidy payment is likely to be less than originally forecast,

meaning HRA balances will reduce by only £11k. The Housing Capital Plan is forecast to spend £8.1m and the Welsh Housing Quality Standard should be achieved by the end of 2013/14.

Reforms of the Housing Subsidy system in Wales is now moving ahead and should be implemented by April 2014. The details and implications are still being worked through with Welsh Government officials.

Housing Revenue Account Summary 2013/14	
June 2013	
Expenditure	£'000
Housing Management & Maintenance	5,488
Capital Charges	3,075
Subsidy	3,094
Provision for Bad Debts	131
Revenue Funding Capital Expenditure	890
Total Expenditure	12,678
Income	
Rents	12,500
Garages	159
Interest	8
Total Income	12,667
HRA Balance Brought Forward	1,046
In Year Surplus /(Deficit)	(11)
HRA Balance Carried Forward	1,035

Housing Capital Plan	
June 2013	£,000
Planned Expenditure	8,182
Funded By:	
Major Repairs Allowance	2,400
Revenue Contribution	890
Receipts	18
Prudential Borrowing	4,874
Total	8,182

A summary of the **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £40.5m and expenditure to the end of June is £3.8m. Also included within Appendix 3 is the proposed expenditure of £6.8m on the **Corporate Plan**. **Appendix 4** gives an update of the major capital projects within this year's Capital Plan.

The Corporate Plan aims to deliver investment of over £110m in schools, social care facilities and roads over the coming five years and the cash requirement through 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.

At the end of 2012/13, it is assumed that reserves of £10.3m will be in place, leaving £11.7m required to deliver the Plan. The 2013/14 budget specifically earmarked resources of £600k to be allocated to the Corporate Plan Reserve.

The Strategic Investment Group reviews all individual applications for capital funding and recommends projects for approval if the investment meets with council priorities and Group is satisfied with the business case – in terms of cost, funding and outcomes. The Group has recently reviewed a proposal to commence with detailed design works for Ysgol Glan Clwyd. This is part of the wider investment in schools within the Corporate Plan under the 21st Century Schools Programme. Following the review of this proposal by the Strategic Investment Group, the Welsh Government announced that £1.5m would be made available to accelerate the proposal at Glan Clwyd. Further discussions will now take place with the Welsh Government on the use of this funding. More detail about the proposal is included as **Appendix 5**.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

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

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. Indications are that government funding settlements for 2014/15 and beyond will be worse than the estimates previously provided. Budget meetings with services are now underway as part of the process of updating the Medium Term Financial Plan and setting the budgets for next year

The Council has approved an ambitious Corporate Plan. Underpinning the affordability of the Plan are key assumptions around revenue budgets and cash. 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.

At the end of June, the council's borrowing totalled £133.264m at an average rate of 5.77%. Investment balances were £27.0m at an average rate of 0.85%.

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.