

Report To: Cabinet

Date of Meeting: 24th September 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.

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**). The council's net budget is £192m. At the end of August, there is a forecast under spend on service and corporate budgets of £501k (£45k last month) which represents a variance of 0.55%. The position on school budgets is a forecast positive movement on balances of £190k (£352k last month).

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 54% are reported as achieved (£1.666m).

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:

Communications, Marketing & Leisure - the current forecast is to break-even but the service has several volatile budgets which are dependent on meeting large income targets. However, based upon present figures all these budgets are on target. It is also assumed that the soon to be opened new leisure development at Ruthin will hit the customer numbers required as part of the business case. The delay in the opening of the new Foryd Harbour might impact on the income levels for 13/14 but it has already been agreed that any funding shortfall will be met corporately in the current year.

Customer & Education Support – The service is currently projected to under spend by £110k in total. £58k of this relates to the delays in the full implementation of the Customer Services restructure. The costs of the restructure have been funded from the carry forward on last year's under spend. £20k relates to a planned reduction in supplies and services expenditure within Education Support as part of the preparation for budget efficiencies for 2014/15. Finally, maximisation of grant funding on a one-off basis has resulted in a further temporary saving within Education Support of £32k.

Business Transformation/ICT – the forecast is that the budget will come in slightly under target (£1k). The planning assumption is that any year end under spend from the service can be earmarked to help fund any gaps in the next phase of the Council's ICT strategy, particularly in respect of the Microsoft Enterprise Agreement.

Highways & Environment Services – is now forecasting an over spend of £194k. The majority of this relates to the School Transport Service and the fact that the number of school days in the 2013/14 financial year is a great deal higher than usual (196 days compared to 183 days last year). On average transport for each school day costs the council around £23k so there is at least £299k of additional costs in 2013/14. This pressure has been lowered following a review of reserves which resulted in the release of £106k (mostly the Yellow Bus Reserve of £101k which is now no longer required).

Adult & Business Services - the 2013/14 outturn is currently forecast to be £45k under spent. 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 most of 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 and some even into 2015/16.

Children & Family Services - the current reported position is an under spend of £539k, of which £285k is on staffing budgets (staff not being at top of grade/vacant posts etc), £94k under spend on specialist placements, £61k earmarked for a fostering placement which is no longer required and £99k of the under spend rolled forward from 12/13 which has not yet been committed. Savings have been proposed for 2014/15 around some of these budgets.

Discussions are taking place with Leisure Services to consider future service delivery models to provide active programmes for Children with Disabilities (CWD). The service proposal is that £250k of any under spend is set aside in a CWD Reserve and earmarked for this purpose to invest in future years.

Schools - at the end of August the projection for school balances is £3.060m, which is a positive movement of £190k on the balances brought forward from 2012/13 (£2.870m). The outturn includes protection of £775k provided as transitional financial assistance for schools affected by funding formula changes. The council continues to work with two schools in financial difficulty.

Corporate budgets are forecast to generate an under spend of £350k. At this stage of the year there are still uncertainties around centrally held allocations for energy, pensions and other costs but it is assumed that £350k should be available. Clearly if financial contingencies are required during the remainder of the year (as was the case last year with MMI and the impact of severe weather events) the assumption will need to be revised. It is assumed that under spends on corporate budgets will be transferred to the Corporate Plan Reserve.

Corporate Plan reserves of £10.3m have been carried forward into 2013/14, leaving a cash requirement of approximately £11.7m required to deliver the Plan. The 2013/14 budget specifically earmarked new budget resources of £600k to be allocated to the Corporate Plan Reserve and made assumptions that at least £1.3m of previously identified resources would be transferred to fund the Corporate Plan if circumstances allowed. It is now assumed that these transfers will be made. Generating sufficient cash to fund the Plan is crucial to delivering the council's ambitions. Assumed levels of capital receipts are so far lower than originally planned so the in-year cash generation is even more critical.

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 latest revenue position assumes a £5k increase in balances at year end, which is an improvement of £107k on the budgeted assumption. The Housing Capital Plan remains on target to spend £8.1m and the Welsh Housing Quality Standard should be achieved by the end of 2013/14.

It is assumed that the Housing Subsidy system in Wales will be abolished from April 2014 and negotiations around the detail are still ongoing with Welsh Government.

A summary of the **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £45.8m and expenditure to the end of August is £7.6m. The Plan has increase by £5m from last month as additional grants have been confirmed (including £1.5m for 21st Century Schools and £2.1m West Rhyl Housing Improvement Programme). 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.

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

A summary EqIA was submitted to Council in February 2013.

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.

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 August, the council's borrowing totalled £132.514m at an average rate of 5.79%. Investment balances were £24.0m at an average rate of 0.83%.

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.

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.