

Report To: Cabinet

Date of Meeting: 29th October 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 September, there is a forecast under spend on service and corporate budgets of £1,194k (£851k last month) which represents a variance of 0.93%.

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.

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:

Business Planning & Performance - The service is currently projected to be under spent by £40k due to the planned non-filling of posts that have become

vacant. These savings form part of the budget proposals for 2014/15 for the service. It is recommended that the service is allowed to use this under spend in future years to help pump-prime the EDRMS project and therefore that it is placed in the EDRMS reserve that was created at the end of the last financial year.

Highways & Environment Services – the latest forecast is an over spend of £142k, a reduction of £52k from that reported last month. This movement is largely due to the bringing forward of an efficiency proposal for 2014/15 relating to the release of budget for the Building Cleaning trading account. This is partly offset by a pressure within Coastal Lettings relating to vacant units within the Children's Village (Rhyl). It is hoped that the net overspend across the service will be absorbed by the end of the financial year when the full in-year impact of the service restructure has been determined.

Planning & Public Protection – the under spend forecast is as a result of identifying additional expenditure that can be charged against the Planning Delivery for Wales grant. The service proposal would be for any in-year benefit to be used to dampen the impact of potential future reductions to the grant.

Children & Family Services - the forecast has improved by £21k to £560k as the number of staff opting into the pension scheme in the service has so far been lower than originally estimated. As reported last month, options to provide active programmes for Children with Disabilities (CWD) are being considered and the service proposal is that £250k of the under spend this year is set aside in a reserve and earmarked for this purpose to invest in future years.

School Improvement & Inclusion – The detailed review of Out of County placements and recoupage reported last month has now been completed allowing a more robust projection to be made. Although the budgets remain volatile it is currently estimated that this area will under spend by £251k. The budget proposals for 2014/15 currently include an efficiency of £200k relating to this area. Although this is based on activity over the last few years, the volatility of the budgets mean that the costs can vary greatly from year to year. It is therefore recommended that this year's under spend is placed in a reserve to provide a contingency against future costs pressure to support the budget reduction next year.

Schools - at the end of September the projection for school balances is £3.013m, which is a positive movement of £143k on the balances brought forward from 2012/13 (£2.870m). 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. The Non-delegated budget is currently projected to under spend by £115k.

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 assumed that these transfers will be made.

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 £4k decrease in balances at year end, which is an improvement of £98k on the budgeted assumption. Dwelling rents are slightly higher than forecast and the subsidy payment for the year is likely to be lower than estimated at the start of the year. 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.

The latest indications are now suggesting that the Housing Subsidy system in Wales will remain in place for another year and therefore the introduction of self-financing for council housing stock will not now happen until 2015/16.

A summary of the **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £46.1m and expenditure to the end of September was £9.9m. Also included within Appendix 3 is the proposed expenditure of £9.1m 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

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, particularly given the scale of budget reductions required over the coming two years.

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 will 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 September, the council's borrowing totalled £132.458m at an average rate of 5.79%. Investment balances were £25.5m at an average rate of 0.81%.

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.