

Report To: Cabinet

Date of Meeting: 26th November 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 gain agreement in principle to provide a short term loan to Llangollen Town Council.

3. What are the Recommendations?

Members note the progress against the agreed budget strategy.

To agree in principle the arrangement of a loan to Llangollen Town Council to assist with the cash flow supporting a capital investment and to delegate authority to the Head of Finance & Assets to progress the arrangement if and when required.

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 October, there is a forecast under spend on service and corporate budgets of £763k (£1,194k last month) which represents a variance of 0.60%.

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 so far 67% have been 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?

Narrative supporting service forecasts where necessary is detailed below:

Business Planning & Performance - As reported last month, the service is currently projected to under spend by £40k in total. Although there is no movement to report this month, the projection includes an estimate for the investment in the digitisation of archived records. A change in the timing of this work will affect the projected outturn and will be reported on in future reports

Highways & Environment Services – The service is now showing an over spend of £237k, an increase of £88k from that reported last month. It is still hoped that the net overspend may be reduced when the full impact of the service restructure has been resolved. The main points are:

- A pressure remains within School Transport relating to the number of school days in 2013/14 (one-off effect that has been largely met through the use of one-off under spends) and also an increase in demand. The service overspent by £178k last financial year, and these budgetary pressures have continued this year.
- Parking income levels are down compared to previous years resulting in a pressure of £108k. This has been partly offset by the allocation of £40k from last year's under spend. The main areas affected are Rhyl and Prestatyn, the latter in particular is due to the availability of free parking at the retail park and will be a recurring pressure for the service.

Children & Family Services - The projected under spend is forecast to be £311k this month but this might rise slightly if the current demand for placements remains stable for the remainder of the financial year. The current under spend excludes the previously agreed £250k which is being set aside in a new Children with Disabilities (CWD) reserve.

Communication, Marketing & Leisure – is currently showing a small overall under spend of £7K (break-even last month). The under spend is mainly as a result of plans being put into place in advance to begin achieving next year's savings targets for the Department. It is assumed that the new Ruthin Leisure development meets its member targets over the winter months and the early indications are very encouraging.

ICT/Business Transformation – is forecasting a balanced budget although there are assumptions made on the Microsoft Enterprise Agreement licence costs and the upgrade of the Council's ICT desktop hardware as part of the Council's ICT strategy. Presently it is intended that these costs will be funded from a combination of existing ICT revenue budgets, some contributions from services and also some items of spend being capitalised.

School Improvement & Inclusion – As reported last month, the detailed work required to provide a robust estimate for Out of County and Recoupment has been undertaken. The current projected break-even position for School Improvement includes the assumption that the under spend in 2013/14 of

£251k on Out of County and Recoupment will be placed in a reserve in order to provide a contingency for any future increase in costs, allowing for the release of £200k base budget efficiency in 2014/15.

Schools - at the end of October the projection for school balances is £2.955m, which is a positive movement of £85k 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 £106k.

Corporate budgets – included this month is additional income of £152k which is a refund on payments made under the Carbon Reduction Scheme (CRS). It is proposed to set aside £100k of this to invest in new energy efficiency schemes. Measures taken to improve efficiency have helped ensure that the council can now drop out of the CRS and make a permanent budget saving next year.

Llangollen Town Council is investing in major improvements to the Chain Bridge in the town. The works are grant funded but the grant will not cover the VAT liability. The Town Council will be able to reclaim the VAT element of the works but there will probably be a short timing difference between the payment of the invoice for the works and recouping the VAT through the usual process. The value of the VAT will be approximately £20k and a request has been made for the council to give a short term loan to cover the timing difference. Providing the loan facility is a straightforward, low risk way of supporting a significant community regeneration project. If agreed in principle, the terms of the loan will be agreed with the council's legal team.

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.

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 £7k decrease in balances at year end, which is an improvement of £95k 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.

A summary of the **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £42.2m and expenditure to the end of October was £13.3m. Also included within Appendix 3 is the proposed expenditure of £6.6m 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.

At the end of October, 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.