

Report To: Cabinet

Date of Meeting: 17th December 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 November, there is a forecast under spend on service and corporate budgets of £656k (£763k last month) which represents a variance of 0.51%.

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 72% have been achieved (67% last month).

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 – still projecting an over spend of £237k. It is still hoped that the net overspend may be reduced when the full impact of the service restructure has been resolved. The main areas of concern remain:

- A pressure 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 resulting in a net pressure of £68k. 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. It is anticipated that the recent flooding incident in Rhyl will have had a further adverse impact on the income levels and will be reported on in future reports.

Housing & Community Development – the under spend includes £256k in the Town & Areas Plans budget. The funds have been committed to projects but delays in actual expenditure have arisen due to the time taken to complete feasibility works and ensuring the maximisation of match funding opportunities. Additionally, based on the current rate of expenditure, £50k of the priority funding awarded in the 2013/14 will be committed but not spent by the end of the financial year. A detailed report on the Town and Area Plans is being presented to Cabinet on 17th December.

School Improvement & Inclusion – As reported in previous months the 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 November the projection for school balances is £2.915m, which is a positive movement of £45k 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 £118k. This projection is based on all known uses of the contingency budgets held centrally.

Corporate budgets – the costs of the recent flooding events in Rhyl will become clearer over the coming weeks. If applicable, representation will be made to the Welsh Government under the provisions of emergency funding assistance schemes. Additional service costs arising directly as a result of the flooding will therefore either be funded by Welsh Government or corporately from council balances.

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 further previously identified resources would be transferred to fund the Corporate Plan if circumstances allowed. The latest forecast is that £3.1m will be used to fund the Plan.

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 an £8k decrease in balances at year end, which is an improvement of £94k 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 £40.6m and expenditure to the end of November was £15.6m. 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 November, the council's borrowing totalled £132.454m at an average rate of 5.79%. Investment balances were £25m at an average rate of 0.82%.

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.