

**CABINET**

Minutes of the Cabinet meeting held at 10.00 a.m. on Tuesday 11 September 2007 in the Dean's Library, St Asaph.

**PRESENT**

Councillors S A Davies, Lead Member for Policy, Communications and Improvement; P A Dobb, Lead Member for Health, Social Care & Wellbeing; E C Edwards, Lead Member for Customer Care and Citizen Engagement; M A German, Lead Member for Children, Young People and Families; R W Hughes, Leader and Lead Member for Economic Prosperity & European Programmes; D Owens, Lead Member for Schools and Lifelong Learning; and J Thompson Hill, Lead Member for Property and Sustainable Development.

Observers: Councillors R E Barton, M LI Davies, G C Evans and C L Hughes.

**ALSO PRESENT**

Chief Executive; Deputy Chief Executive / Corporate Director: Resources and the County Clerk.

**APOLOGIES**

Councillors G O Rowlands, Lead Member for Finance and Procurement; S Roberts, Lead Member for Promoting Denbighshire and E W Williams, Lead Member for Environment; Corporate Director: Environment and the Financial Controller.

**1 URGENT MATTERS**

There were no Urgent Matters.

**2 MINUTES OF THE CABINET**

The Minutes of the Cabinet meeting held on 17 July 2007 were submitted.

Item 9 Routine Reporting on Personnel – Councillor S A Davies drew Members' attention to his suggestion at the last Cabinet meeting that they provide details of any problems emerging with sickness absence, as every day lost was a financial cost to the Authority.

**RESOLVED** that, subject to the above, the minutes of the meeting held on 17 July 2007 be approved as a correct record and signed by the Leader.

**3 DENBIGHSHIRE COUNTY COUNCIL'S DRAFT EFFICIENCY STRATEGY**

Councillor R W Hughes presented the report seeking Members' consideration of Denbighshire County Council's draft Efficiency Strategy 2007 – 2010 (Appendix I) and

draft Action Plan (Appendix II) and agree any further amendments and that the draft Efficiency Strategy and Action Plan be presented to Full Council on the 18 September 2007 for agreement. She reminded Members that efficiency gains every year for 5 years would be required, which meant £7.5m by 2010 or just over £1.5m per year.

Councillor Hughes said the Change Management Board had been set up to oversee delivery of the Efficiency Strategy and she (as Leader), Deputy Leader and Lead Member for Finance and Procurement would join the Board as observers. The minutes and reports of the Change Management Board would be available for all Members on the Council Members' Database.

Referring to paragraph 2.5, Councillor Hughes highlighted the projects already being progressed which meant the Authority was already working better. She referred to the Social Services and Housing Directorate Core Briefing (available to all Members) which detailed the efficiency savings required to staff in a simple and understandable way.

The Action Plan at Appendix II detailed the individual actions which Members would be responsible for. It was important that all Members were enthusiastic about the Strategy as it was not just about trying to save money but also the Authority working more efficiently.

Councillor P A Dobb, referring to the Bright Ideas Scheme, said this was a superb staff resource and was the cheapest resource in the Authority for getting ideas. She suggested it should be promoted further, perhaps through Payroll or a 'pop-up' on the computer. Councillor M A German asked whether a similar opportunity was available for Members to deliver ideas or solutions to issues.

Councillor M LI Davies (Observer), referring to the list on page 14 of the Strategy, suggested that new furniture for offices was not always required and that existing furniture could be moved and used in new offices. Turning to Modernising our Business Processes (page 17 of the Strategy), Councillor Davies (Observer) said in many instances the venues for Council meetings were not compatible with new technology. He also referred to the reduction in staff travel on page 11 of the Action Plan and said the 'excluding schools' should be included in the last column, as it was the figure which excluded spend on school travel.

Councillor E C Edwards strongly expressed his concern regarding the efficiency savings which would be required as he felt these would have an impact on service delivery. Many residents were concerned about the education of children, refuse collection, street cleaning and being safe in their homes for example and he wondered how these services would be delivered. An annual efficiency target of £2.5m from 2008-2009 would be of the greatest concern to the Authority's residents. He wondered whether this signalled the need for a major restructure in the Authority.

Councillor S A Davies said all Members had to take responsibility for the Strategy. He said personnel were the highest cost to the Authority and it would not be possible to

continue along the same lines as at present. Funding available from the Welsh Assembly Government was decreasing whilst in 3 years' time when Single Status and the Pay and Grading Review came to fruition, it could mean an extra 3% per £1m on Council Tax. He agreed with Councillor Edwards that frontline services were the Authority's priorities and said following discussions in the Change Management Board he felt the actions were reasonable. Councillor Edwards, referring to the priorities, said that many millions would be required for example to upgrade the County's highways.

The Deputy Chief Executive / Corporate Director: Resources endorsed Councillor Hughes' introduction to the Strategy. He outlined that the Efficiency Strategy had to be considered in the wider context of what was anticipated to happen in the next few years. He reminded Members that account had to be taken of such issues as Single Status, since the Pay and Grading Review (based on current estimates) could cost the Authority by Year 5 £1.5m more than the amount currently set aside. Waste Management costs were likely to escalate and the current level of Supporting People funding was at risk. In addition, there was currently an Assembly initiative to review the current distribution methodology for education funding, which could result in Denbighshire County Council's funding reducing significantly.

In response to Members' questions, the Deputy Chief Executive / Corporate Director: Resources indicated that improved procurement practices were one of the key routes to driving efficiencies. Also, investment in new IT developments could result in improved working practices and better use of Council buildings.

Councillor R W Hughes, referring to Strand 5 Making our Workforce Fit for the Future, supported officers in planning their reductions to the workforce. Redundancies could be avoided by planning workforce reductions and this would be done by the managers and not the politicians.

***RESOLVED*** that Members note Denbighshire County Council's draft Efficiency Strategy 2007 – 2010 (Appendix I) and draft Action Plan (Appendix II) and agree the amendments above and that the draft Efficiency Strategy and Action Plan as revised be presented to Full Council on the 18 September 2007 for agreement.

#### **4 MONITORING THE AUTHORITY'S KEY PERFORMANCE INDICATORS AND PROGRESS AGAINST THE KEY ACTIONS IN THE IMPROVEMENT PLAN**

Councillor S A Davies presented the report for Members to consider the Corporate Quarterly Performance report against the Improvement Plan 2007-2010 which detailed the performance against the Authority's key performance indicators for the 1<sup>st</sup> quarter of 2007-2008 (June, July and August 2007) (Appendix 1) and that Cabinet consider any issue in greater depth as deemed necessary.

Members commented on / detailed some of the indicators:

Councillor M A German said there were reasons for the slippage on the percentage of first placements of looked after children during the year that began with a care plan in place. Officers were working towards meeting the target.

Councillor P A Dobb referred to the number of affordable housing units granted planning permission being below target. This was a result of smaller plots of land being developed which were not required to comply with policy. The target was currently misleading and it was hoped progress would be made on the provision of planning permissions in the coming 6 months.

The indicators for Councillor S Roberts were on target.

The Chief Executive reported that some of Councillor E W Williams' indicators were not on target i.e. some enforcement activities and recycling issues.

Councillor D Owens said the Lifelong Learning indicators were annual targets. He agreed with the Chief Executive that it should be possible to list school attendance by term, and indicators should be identified which could be reported against more frequently.

Councillor J Thompson Hill reported his indicators were annual targets and the Authority was on target to meet these.

Councillor E C Edwards said the new Community Safety Team in place was working well and stressed the importance of continuing to work corporately.

Councillor R W Hughes said she still hoped to include indicators for the Authority's European work.

Councillor S A Davies said a detailed update report on performance appraisals would be provided for the October Cabinet, to highlight the importance of reporting these figures.

The Head of Strategic Policy referred to the matrix on page 2 of the cover report and reminded Members and officers to focus on those indicators which had slipped against the target or had not improved since the previous year. A locally produced analysis detailing Denbighshire's performance in relation to all Wales would be presented to Full Council in November 2007. She suggested that more focus was required on the indicators that continually did not perform and the need to consider quarterly reporting for Education.

Regular monitoring of Council services was important. Councillor R W Hughes said some Members felt unaware of when indicators were continually going down and these could be included in an exceptions report.

The Deputy Chief Executive / Corporate Director: Resources suggested Lifelong Learning should consider including additional performance indicators. The Chief Executive suggested indicators reporting, for example, the number of exclusions from school or attendance figures. Councillor R W Hughes said it was important for all Members to have meaningful indicators. Councillor S A Davies said monthly information could be brought to Cabinet if it was useful. The Head of Strategic Policy said the new Ffynnon performance management system was being set up and said that separate systems should not be used.

**RESOLVED** that Cabinet note the proposed Quarterly Performance Report and agree to pay particular attention to issues requiring further discussion and/or remedial action, particularly those indicators which are not on target.

## **5 ROUTINE REPORTING ON PERSONNEL**

Councillor S A Davies presented the report for Members to note the report on the staff headcount, the figures shown being a month in arrears. Agency figures were circulated at the meeting. Councillor Davies stressed the need for all Heads of Service to provide up to date figures.

Councillor M LI Davies (Observer) suggested that instead of the decision on the report asking Members to note the figures, the decision should ask Cabinet to take action where relevant. Councillor R W Hughes agreed and suggested that actions required should be recorded. She asked Cabinet Members to discuss with the relevant Corporate Directors or Heads of Service proposals to bring down the level of agency figures.

Members discussed the gross pay which had increased by £100k per month compared to the same time last year.

Councillor P A Dobb referred to the 3 Board Members in the Social Services and Housing Directorate which received an honorarium which meant they had to be included as employees.

Councillor D Owens asked that figures be provided showing agency staff which had been employed for 6 months or longer, particularly in the Design Services department.

**RESOLVED** that Cabinet note the information in the report and take action as required and that the next report on agency staff should show agency staff engaged for 6 months or longer.

## **6 CABINET FORWARD WORK PROGRAMME**

Councillor S A Davies presented the Cabinet Forward Work Programme.

The Chief Executive said a report on Education would be brought to the 25.09.2007 Cabinet; an Action Plan in regard to the Estyn report on 30.10.2007 and the report on Modernising Education would be brought on 18.12.2007 and not 27.11.2007.

Councillor R W Hughes referred to the Rhyl Going Forward – Performance Measurement information report which had been circulated to all Members and said people's perception of Rhyl was improving and it was good to see the positive findings in the review.

***RESOLVED*** that Cabinet note the Cabinet Forward Work Programme and the amendments.

## **7 URGENT ITEMS:**

There were no Urgent Items.

## **PART II**

**There were no Part II items.**

The meeting concluded at 11.00 a.m.

**REPORT TO CABINET**

**CABINET MEMBER:** Councillor P A Dobb, Lead Member for Health and Wellbeing

**DATE:** 25<sup>th</sup> September 2007

**SUBJECT:** Housing Revenue Account Budget & Capital Plan Report 2007 / 2008

**1 DECISION SOUGHT**

Members note the latest financial forecast position of the Housing Revenue Account (H.R.A.) for the current financial year.

**2 REASON FOR SEEKING DECISION**

The need to deliver the Council's agreed budget strategies for the current financial year.

**3 POWER TO MAKE THE DECISION**

Housing Act 1985 Part II.

**4 COST IMPLICATIONS**

Housing Revenue Budget 2007/08

- The latest figures show that the HRA will generate a surplus of £969k by the end of the financial year, which is £192k higher than the planned surplus.
- The Housing Management element of the budget is forecast to be under spent by £30k, although this includes a forecast overspend of £43k on housing repairs.
- Other notable expenditure variances are the Capital Financing Charge, which is expected to be higher than planned because of increased activity on the Capital Plan (see below) and the Subsidy, which is likely to be lower than originally planned because of the impact of the leasing subsidy.
- Income is broadly on target, with income from garage rents currently forecast to be better than planned, reflecting the increased charges applied this year.

Housing Stock Business Plan

- The HSBP has been fully updated to allow for all changes, including the Subsidy Determinations for 2007/08, the 2006/07 outturn, revised RTB sales, leasing and inflation and it remains in surplus over the 30 years of the Plan.

- There have been 9 sales under the Right to Buy scheme so far this year. The forecast in the HSBP is 25 and if the pattern remains constant throughout, then 22 sales would be achieved. The average sales are higher than estimated so far, therefore it is not necessary to amend the Plan at this stage.
- The current council housing stock stands at 3,477.

### Housing Capital Plan

- Achievements to the end of August on the major contracts are as follows (the figures quoted in brackets are those that were reported to the end of June 2007):

Major Refurbishments	186 properties underway (151) and 152 completions (129)
Window s contract	2,516 properties completed (2,272)
Heating contract	880 properties completed (801)

- The Capital Plan has been amended in August to reflect activity on the main contracts.
- The major refurbishment contract continues to progress well with 152 properties now having been completed. It is possible that previous slippage on this contract will be caught up during the rest of the year.
- Included in the projections for this year is work on sixteen 'Airey Houses' throughout the county. These houses were built shortly after the Second World War and were constructed from pre-cast concrete panels. Because of the nature of their construction, it has been found that the cost of improving them will be higher than other properties. The likely expenditure will be lower than predicted in the Stock Condition Survey but higher than the current year estimate in the capital plan. The costs however can still be contained within the overall programme.
- There has been no expenditure on environmental improvements yet this year and so the forecast has been revised downwards. However, such works have now commenced.
- Management of Disabled Facility Grant (DFG) works for council dwellings has now been taken over by Housing. A considerable backlog of works has been inherited and the cost of such works has been factored into the capital plan this year. Some of this work would have to be completed anyway as part of the major improvement programme so it is effectively being brought forward but some is an additional cost to the HRA. The costs can be contained within the HSBP.



## Summary

The revenue and capital budgets as reported at the end of August 2007 do not adversely affect the Council's Housing Stock Business Plan.

The HRA Capital Plan is progressing well and it is likely that some previous slippage will be caught up. Some additional costs have been identified around Airey Houses and DFG works but a contingency built in to the capital plan has so far absorbed the increased activity.

The Business Plan is still on target to achieve the Welsh Housing Quality Standard by 2012.

The HRA and capital plan position as reported does not have any additional staffing implications.

## **5 FINANCIAL CONTROLLER STATEMENT**

The improved HRA position is welcomed and will contribute positively to the Housing Stock Business Plan. The Capital Plan should continue to be kept under review and any revisions should demonstrate that there is no adverse impact upon the HSBP.

## **6 CONSULTATION CARRIED OUT**

The HRA capital and revenue budget were agreed by Cabinet in January 2007.

## **7 IMPLICATIONS ON OTHER POLICY AREAS INCLUDING CORPORATE & THE COUNCIL'S VISION**

The level of funding available to services together with budgetary performance impacts upon all services of the Council. The HSBP will help achieve the ideal living vision, through access to good quality, affordable housing, which is more energy efficient and designed to meet their needs.

## **8 ACTION PLAN**

<b>Action</b>	<b>Responsibility</b>	<b>Date</b>
Ongoing monitoring of the HSBP.	Head of Housing Services & Senior Management Accountant.	Monthly updates to Cabinet.

## **9 RECOMMENDATION**

Members note the latest financial forecast position of the Housing Revenue Account (H.R.A.) for the current financial year.

**Housing Revenue Account ~ 2007/08 Budget**

<b><u>2006/07</u></b> <b>Actual</b> <b>Outturn</b> <b>£</b>	<b><u>Period 5 August 2007</u></b>	<b>Original</b> <b>Budget</b> <b>£</b>	<b><u>2007/08</u></b> <b>Forecast</b> <b>Out-turn</b> <b>£</b>	<b>Variance</b> <b>to Budget</b> <b>£</b>
<b><u>EXPENDITURE</u></b>				
1,098,305	Supervision & Management - General	1,517,750	1,489,881	27,869
251,946	Supervision & Management - Special	260,750	259,165	1,585
134,887	Welfare Services	138,400	135,688	2,713
229,387	Homelessness - Leased Properties	405,000	365,000	40,000
367,845	Rents	0	0	0
2,500,157	Repairs and Maintenance	2,563,300	2,605,890	-42,591
<b>4,582,527</b>	<b>Total Housing Management</b>	<b>4,885,200</b>	<b>4,855,624</b>	<b>29,576</b>
1,083,759	Capital Financing Charges	1,321,524	1,353,703	-32,179
0	Rent Rebate Subsidy Limitation	212,000	212,000	0
2,761,385	Subsidy	2,854,279	2,722,863	131,416
6,690	Provision for Bad Debts	50,000	50,000	0
<b>8,434,361</b>	<b>Total Expenditure</b>	<b>9,323,003</b>	<b>9,194,190</b>	<b>128,813</b>
<b><u>INCOME</u></b>				
8,938,397	Rents (net of voids)	9,564,200	9,569,902	5,702
145,583	Leased Rents	255,000	254,333	-667
103,685	Garages	140,450	164,019	23,569
152,503	Interest (Balances & RTB mortgages)	140,000	175,000	35,000
<b>9,340,168</b>	<b>Total Income</b>	<b>10,099,650</b>	<b>10,163,254</b>	<b>63,604</b>
<b>Surplus / Deficit (-) for the Year</b>				
<b>905,807</b>	<b>General Balances</b>	<b>776,647</b>	<b>969,064</b>	<b>192,417</b>
<b>0</b>	<b>Earmarked Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
1,855,264	Balance as at start of year ~ General	2,761,071	2,761,071	0
2,761,071	Balance as at end of year ~ General	3,537,718	3,730,136	192,417

Appendix 2

HRA Capital Plan Update 2007/08

Month 5

Actual 2006/07 £	Description	Approved Schemes £	Actual at End Aug £	Forecast Outturn £
35,482	Housing Repair Work Pre 2007/08	0	24,867	30,000
16,911	Environmental Improvement Works	257,500	0	157,000
1,001,418	2005/06 Major Improvements – All Groups	0	61,560	75,000
1,444,675	2006/07 Major Improvements – All Groups	3,995,370	2,122,601	4,087,867
2,572,010	Windows Replacement	618,000	1,792,799	2,000,000
1,139,880	Central Heating Contract	1,802,500	281,136	1,000,000
0	DFG - Council Properties *	103,000	80,142	400,000
0	HRA Capital Contingency	961,630	0	0
<b>6,210,376</b>	<b>Total</b>	<b>7,738,000</b>	<b>4,363,105</b>	<b>7,749,867</b>

2006/07 £	HRA Capital Plan Financed By:	Original £	Forecast £
2,400,000	Major Repairs Allowance Grant	2,400,000	2,400,000
431,406	Useable Capital Receipts	370,000	370,000
3,378,970	Prudential Borrowing	4,968,000	4,979,867
<b>6,210,376</b>	<b>Total</b>	<b>7,738,000</b>	<b>7,749,867</b>

Note \* - DFGs were funded by a contribution from HRA capital receipts in 2006/07.

REPORT TO CABINET

CABINET MEMBER: Councillor G O Rowlands Lead Cabinet Member for Finance and Procurement

DATE: 25 September 2007

SUBJECT: Revenue Budget and Summary Capital Plan 2007/08

1. DECISION SOUGHT

- 1.1 Members note the budget performance figures for the 2007/08 financial year as detailed in the attached Appendix 1.
- 1.2 Members also note the summary capital plan performance for 2007/08 financial year as detailed in the attached Appendices 2 and 3.

2. REASON FOR SEEKING DECISION

- 2.1 The need to deliver the Council's agreed budget strategy for the 2007/08 financial year and avoid reducing reserves.

3. POWER TO MAKE THE DECISION

- 3.1 Local Authorities are required under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.

4. COST IMPLICATIONS

- 4.1 This report details the latest service budget year-end projections as reported by Directorates, together with information on pressures and savings within the corporate budgets. The service projections are as at the end of August 2007.

Appendix 1 details a small forecast overspend of £57k. This excludes the schools' delegated budgets.

- i) *Lifelong Learning is forecasting an over spend of £170k mainly due to the delay in commencing home working projects. Compensating savings are being sought.*
- ii) *Social Services & Housing – has improved due to improvements in the Older People budget*

- 4.2 The **Pay and Grading Review** is still ongoing. It is likely to be completed shortly and a separate paper will be presented to Members. No assumptions have been made in Directorate budgets or forecasts yet.

- 4.3 The **schools' delegated budget** – Forecasts are that schools balances will decrease by £172k to £1,635k. A large proportion of this increase is due to

spending plans for three of the secondary schools being finalised and includes planned use of balances brought forward.

- 4.4 Details are also included in Appendix 1 showing Directorates' progress in achieving the required efficiency savings.
- 4.5 Appendix 2 shows a **capital plan summary** and Appendix 3 shows expenditure split by Directorate and priority.
- 4.6 Capital expenditure at the end of August is £11.2m. Full details of the capital plan are contained in a separate report in part two of the agenda.

## **5. FINANCIAL CONTROLLER STATEMENT**

- 5.1 Directorates need to exercise tight control over their revenue expenditure to ensure they are able to remain within their budgets.
- 5.2 In addition to the above members will be aware of the potential pressure resulting from the school in special measures.
- 5.3 A further potential pressure has arisen from the threat of mould damage to archive material stored in the Old Gaol following a breakdown in the air conditioning system.
- 5.4 Work is in hand to identify the likely financial impact of these additional issues and will be reported on further to a future meeting of Cabinet.

## **6. CONSULTATION CARRIED OUT**

- 6.1 Lead Cabinet members need to continue to consult with Heads of Service to agree necessary remedial action to accommodate pressures in 2006/07.

## **7. IMPLICATIONS ON OTHER POLICY AREAS**

### **The Vision**

- 7.1 Proper management of the Council's revenue budget enables services to work towards delivering the Council's Vision.

### **Other Policy Areas Including Corporate**

- 7.2 Proper management of the Council's revenue budget underpins activity in all of the Council's policy areas.

## **8. ACTION PLAN**

- 8.1 All departments undertake regular budget monitoring to identify savings and efficiencies.

## **9. RECOMMENDATION**

- 9.1 That Members note the budget performance figures for 2007/08 as detailed in the attached Appendix 1.
- 9.2 Members also note the summary capital plan performance figures for 2007/08 financial year as detailed in the attached Appendices 2 and 3.

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08  
POSITION AS AT END AUGUST 2007**

Directorate	Budget			Projected Outturn			Variance			Variance
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Previous report
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Lifelong Learning (excluding schools delegated)	31,075	-10,996	20,079	31,240	-10,991	20,249	165	5	170	32
Environment	38,515	-16,760	21,755	38,465	-16,710	21,755	-50	50	0	0
Social Services & Housing	55,689	-17,622	38,067	56,702	-18,748	37,954	1,013	-1,126	-113	-39
County Clerk	1,780	-393	1,387	1,780	-393	1,387	0	0	0	0
Resources	9,425	-2,893	6,532	9,425	-2,893	6,532	0	0	0	0
Corporate, Miscellaneous & Benefits	29,301	-23,059	6,242	29,301	-23,059	6,242	0	0	0	0
<b>Total All Services</b>	<b>165,785</b>	<b>-71,723</b>	<b>94,062</b>	<b>166,913</b>	<b>-72,794</b>	<b>94,119</b>	<b>1,128</b>	<b>-1,071</b>	<b>57</b>	<b>-7</b>
Capital Financing Charges/Investment Income			10,965			10,965			0	0
Precepts & Levies			4,212			4,212			0	0
			<b>109,239</b>			<b>109,296</b>			<b>57</b>	<b>-7</b>

**Note:**

The Management Accounting rules of the Council require debtor account entries to be reversed in respect of amounts outstanding for more 30 days after the due date. In the event that debts cannot be collected, services will be required to meet the cost of the debt write-off. This may impact on the actual outturn achieved by services at the year end.

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**  
**LIFELONG LEARNING**  
**POSITION AS AT END AUGUST 2007**

	Budget			Projected Outturn			Variance			Variance
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Previous report
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Individual School Budgets	<u>54,919</u>	<u>-4,575</u>	<u>50,344</u>	<u>57,019</u>	<u>-6,503</u>	<u>50,516</u>	<u>2,100</u>	<u>-1,928</u>	<u>172</u>	<u>33</u>
School Funds Held Centrally	16,330	-4,915	11,415	16,392	-4,915	11,477	62	0	62	-47
Non school Funding	2,092	-905	1,187	2,092	-905	1,187	0	0	0	0
Corporate Services	451	-47	404	501	-47	454	50	0	50	50
Countryside & Leisure	5,858	-3,066	2,792	5,911	-3,061	2,850	53	5	58	29
Tourism, Culture & Heritage	6,344	-2,063	4,281	6,344	-2,063	4,281	0	0	0	0
	<b>31,075</b>	<b>-10,996</b>	<b>20,079</b>	<b>31,240</b>	<b>-10,991</b>	<b>20,249</b>	<b>165</b>	<b>5</b>	<b>170</b>	<b>32</b>
<b>Total Lifelong Learning</b>	<b>85,994</b>	<b>-15,571</b>	<b>70,423</b>	<b>88,259</b>	<b>-17,494</b>	<b>70,765</b>	<b>2,265</b>	<b>-1,923</b>	<b>342</b>	<b>65</b>



**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**  
**LIFELONG LEARNING**  
**POSITION AS AT END AUGUST 2007**

<u>Comments</u>	<b>Current Month</b>	<b>Previous Month</b>
	<b>£000s</b>	<b>£000s</b>
<b><u>EDUCATION</u></b>		
<b>Individual School Budgets:</b> Following updates during July and August, projections would indicate that the school balances of £1,807k as at 31/03/2007 will reduce to £1,635 during 2007/2008. This is an increase in expenditure of £139k from the last report in June. A large proportion of this increase is caused by spending plans being finalised for September by three large Secondary Schools, Denbigh, Rhyl and Glan Clwyd, and includes planned use of balances brought forward.	172	33
<b><u>SCHOOL FUNDS HELD CENTRALLY</u></b>		
<b>School Transport</b> Detailed projections for the 2007/2008 Financial Year have been completed following receipt of updated contract daily rate prices from Transport and Infrastructure. There are no variances to note since the last Report.	-9	-9
<b>Education Services</b> Savings identified in respect of home working are not likely to be achieved in 2007/2008 due to the delay in commencing pilot home working projects across the Authority.	93	0
<b>Other</b> Various savings from vacancy control, delays in appointment of staff, variations in income and other management initiated cost savings. These savings are supported through the ongoing budget monitoring process which has identified an increased net expenditure of £16k since last month's report.	-22	-38
<b>Total</b>	<b>62</b>	<b>-47</b>
<b><u>CORPORATE SERVICES</u></b> Projections indicate that there will be an overspend on the Translation Service budget of £50k due to the demand on the Service which requires the use of external providers.	50	50
<b><u>COUNTRYSIDE &amp; LEISURE</u></b> Electricity costs above inflation allowance in budget Additional costs associated with Drift Park paddling pool, amphitheatre & play area Unplanned closure of Corwen Pool	16 37 5	16 13 0
<b>TOTAL LIFELONG LEARNING</b>	<b>Total</b>	<b>342</b>
		<b>65</b>

**PROPOSED EFFICIENCY SAVING****EDUCATION**

Schools Delegated Budgets - 0.3%  
County Voice - Develop income from advertising  
Project Management Fees recharge  
Review of SEN Transport Contracts  
Assorted efficiencies across the service e.g. vacancies

**COUNTRYSIDE & LEISURE AND TOURISM, HERITAGE & CULTURE**

Reduce funding to grant aided bodies  
Generation of new Income  
Alternative Service Delivery Options

**TOTAL****TARGET PROGRESS AS AT 31-05-07  
2007/08**

£

-100,000 To be achieved by school governing bodies  
-1,000 On target  
-27,000 May need to be achieved by alternative means  
-10,000 On target  
-70,000 On target

-6,000 Achievable

-30,000 Part achievable. Alternative savings being sort

-36,000 Part achievable. Alternative savings being sort

**-280,000**

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**  
**ENVIRONMENT DIRECTORATE**

## POSITION AS AT END AUGUST 2007

	Budget			Projected Outturn			Variance			Variance
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Previous report
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
DEVELOPMENT SERVICES (Note 5)	8,849	-5,078	3,771	8,839	-5,078	3,761	-10	0	-10	0
TRANSPORT & INFRASTRUCTURE (Notes 1,2,3&5)	9,261	-4,141	5,120	9,236	-4,046	5,190	-25	95	70	0
PLANNING & PUBLIC PROTECTION (Notes 4&5)	4,340	-1,943	2,397	4,325	-1,988	2,337	-15	-45	-60	0
DIRECTOR & SUPPORT	1,645	-376	1,269	1,645	-376	1,269	0	0	0	0
ENVIRONMENTAL SERVICES	14,420	-5,222	9,198	14,420	-5,222	9,198	0	0	0	0
<b>Total Environment</b>	<b>38,515</b>	<b>-16,760</b>	<b>21,755</b>	<b>38,465</b>	<b>-16,710</b>	<b>21,755</b>	<b>-50</b>	<b>50</b>	<b>0</b>	<b>0</b>

**Potential areas of budget pressure**

1 The recent flooding problems, particularly in the Prestatyn area, have placed a strain on the Highways maintenance budget. In the event of severe weather during the winter months it is possible that the winter maintenance budget, together with the winter maintenance reserve, will be insufficient to cover the costs.

2 Discussions are on-going with the newly formed North Wales Trunk Road Agency (NWTRA) regarding the possible loss of some core activity funding and also the payment of the 4% admin fee to partner authorities. This could have a negative impact on the Department.

3 There will be pressure on the Car Parking income budgets caused by the inclement weather. Particularly affected are seasonal car parks at Rhyl and Prestatyn and also parking on Rhyl Promenade. In addition there has been a marked downturn in fines received from Decriminalised Parking Enforcement.

4 Development Control income received to date is significantly higher than the profiled budget mainly due to 3 large windfarm applications. This income is likely to be offset by additional costs which may continue beyond the end of the financial year.

5 Savings from delays in recruiting staff to fill vacant posts.

**POSITION AS AT END AUGUST 2007**  
**ENVIRONMENT DIRECTORATE**  
**POSITION AS AT END AUGUST 2007**

**Efficiency Savings**

The Directorate put forward a number of efficiency savings as part of the Budget setting process. These totalled £250K and will be monitored on an on-going basis throughout the financial year. These are summarised between the service departments below

These are summarised between the service departments below

	<b>£000s</b>
<b>Development Services</b>	
Rationalisation of office accommodation following acquisition of Brighton Rd	50 To be achieved
Station caretaker to also take responsibility for Children's Village	7 To be achieved
Business grant assessment to be carried out in-house	8 On target
Restructuring - Valuation & Estates	8 Achieved
<b>Transport &amp; Infrastructure</b>	
Remove Coastal Protection Agency post	6 To be achieved
Savings in salt procurement	20 To be achieved
Review of streetworks recharges	5 On target
Review of school crossing patrols	5 On target
Increased income from increased workload in MPG	30 On target
Parking processing of PCNs jointly - savings per year	10 On target
<b>Planning &amp; Public Protection</b>	
Restructuring - not replacing vacant section manager post	12 Achieved
Restructuring of Building Control Section following staff vacancy	10 Achieved
New income streams from new legislation	10 To be achieved
Absorb new legislation / powers within existing workforce	12 On target
Reduction in contaminated land consultants budget	4 Achieved
Formal SLA with Flintshire CC to assist with mineral planning	5 To be achieved
<b>Director and Support</b>	
Reduction in working hours of officer in performance management team	12 Achieved
<b>Environmental Services</b>	
Public conveniences - reductions in overtime payments	5 On target
Rationalisation of sweeper hire costs	5 Achieved
Transfer of officer to Leisure and not replacing	13 Achieved
Replacing team leader with lower graded employee	10 Achieved
Savings following refurbishment of Corwen PC	3 Achieved
	<u>250</u>

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**  
**SOCIAL SERVICES AND HOUSING**  
**POSITION AS AT END AUGUST 2007**

	Budget			Projected Outturn			Variance			Variance
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Previous report
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Children Services	9,171	-585	8,586	9,633	-1,130	8,503	462	-545	-83	-64
Adult Services	35,962	-9,244	26,718	36,524	-9,493	27,031	562	-249	313	362
Business Support & Development	2,958	-468	2,490	3,109	-524	2,585	151	-56	95	89
Cymorth Grant	1,711	-1,711	0	1,711	-1,711	0	0	0	0	0
Supporting People Grant	4,336	-4,301	35	4,336	-4,301	35	0	0	0	0
Underspend Brought Forward	0	0	0	0	-341	-341	0	-341	-341	-341
<b>Sub Total Social Services</b>	<b>54,138</b>	<b>-16,309</b>	<b>37,829</b>	<b>55,313</b>	<b>-17,500</b>	<b>37,813</b>	<b>1,175</b>	<b>-1,191</b>	<b>-16</b>	<b>46</b>
Non HRA Housing	1,551	-1,313	238	1,389	-1,204	185	-162	109	-53	-41
Underspend Brought Forward	0	0	0	0	-44	-44	0	-44	-44	-44
<b>Directorate Total</b>	<b>55,689</b>	<b>-17,622</b>	<b>38,067</b>	<b>56,702</b>	<b>-18,748</b>	<b>37,954</b>	<b>1,013</b>	<b>-1,126</b>	<b>-113</b>	<b>-39</b>

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**  
**SOCIAL SERVICES AND HOUSING**  
**POSITION AS AT END AUGUST 2007**

<u>Comments</u>	<b>Current Month</b>	<b>Prev Month</b>
	<b>£000s</b>	<b>£000</b>
<b>SOCIAL SERVICES</b>		
<b>CHILDREN'S SERVICES</b>		
The predicted underspend within Children's Services has increased mainly due to a steady decrease in various levels of spend throughout the the Service	-83	-64
<b>ADULT SERVICES</b>		
<b>Learning Disabilities</b>		
Residential Placements, as in previous years, continue to be the major pressure area (£303k, of which £260k is due to the transfer of 2 clients from Children's Services). Other areas of overspend are in-house work opportunities and community living projects. The projection includes costs for three additional CL schemes, for 7 clients. Work has been completed relating to the maximisation of income in order to reduce costs within the CL schemes.	312	202
<b>Mental Illness</b>		
The main pressure here is still Residential and Nursing Placements. However it is hoped that the overspend will be less than 2006/07, particularly as we believe an expensive placement, previously shared with the LHB, should now be solely their responsibility. The improved position reflects this and forecast reduced costs for Llys Marchan.	84	108
<b>Older People</b>		
A large amount of the underspend within Older People (Purchasing) relates to a reduction in the number of Preserved Rights clients and staff slippage. There has been very little change in the outturn of Older People (Purchasing) compared to the figure reported in the previous Cabinet report. Provider Residential Homes are once again forecast to be overspent. Maintenance Income is always a concern and needs close monitoring, but it is hoped that we can use £23k from Mental Health Carers Grant to block book two respite beds from September to the end of March.	-132	-63
<b>PDSI (Physical Disability &amp; Sensory Impairment)</b>		
Based on 2006/07 experience there is still likely to be overspend on PDSI. Once again the main pressure areas are forecast to be the Community Care budget, and the Occupational Therapy budget, (where the pressure is due to the ever increasing demand for equipment and minor adaptations). Elsewhere additional funds should keep the Drug & Alcohol budget on target (£20k overspent in 2006/07), but this is offset by some staffing budgets underspent in 2006/07 now predicted to be fully spent. The main reason for the reduced overspend from the last report is staff slippage on new Service Manager post, that has only just been filled.	146	177
<b>Performance Management &amp; Commissioning</b>		
The majority of these budgets relate to staffing and are predicted to be underspent due to slippage on vacant posts and staff not currently being at the top of their	-117	-83
<b>Other Adult Services</b>		
There is a projected overspend of £16k on Community Development, which is offset by underspend on the out of hours service.	-3	2
<b>Joint Working &amp; Older People Strategy</b>		
These are Grants supplemented by a small base budget. There are plans in place to spend in full.	0	0
<b>Cefndy Enterprises</b>		
The main reason for the predicted overspend is due to 07/08 sales being less than expected. Sales in 06/07 reached just under £2.9m whereas current indications are that the 07/08 figure is likely to be around £2.7m.	23	19
<b>TOTAL ADULT SERVICES</b>	<b>313</b>	<b>362</b>
<b>Business Support &amp; Development</b>		
The predicted overspend on the Paris project of £107k is partly offset by an underspend with the Workforce Development Team.	95	89
<b>Cymorth Grant</b>		
All expenditure relating to the Cymorth grant has to be spent in year.	0	0
<b>Supporting People Grant</b>		
As agreed by Cabinet, in 2006/07, any in year under spends will be reserved and used to offset the future cuts. The projected recurrent underspend for 2007/08 is £524k, with additional in year underspends of £146k due to projects being commissioned in year.	0	0
2006/07 Underspend Brought Forward	-341	-341
<b>HOUSING</b>		
An underspend is forecast as grants to the Women's Aid organisation are not being paid in 2007/08. Additionally, some grant income has been rolled forward from 2006/07.	-53	-41
2006/07 Underspend Brought Forward	-44	-44
<b>TOTAL HOUSING</b>	<b>-97</b>	<b>-85</b>
<b>TOTAL SOCIAL SERVICES &amp; HOUSING</b>	<b>-113</b>	<b>-39</b>

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**

**SOCIAL SERVICES AND HOUSING**  
**POSITION AS AT END AUGUST 2007**

**Efficiency Savings**

Service	Efficiency Saving	Further Saving	Details	Status
<b>Children's Services</b>				
Reduction in placement costs for looked after children (Children's Services)	121		Renegotiation of contracts with independent sector providers will result in cohort of 15 children remaining in the independent sector until the majority. These savings are detailed as a result of admitting fewer Children into care during 2007/08 - in line with	<b>Achievable</b>
<b>Adult Services</b>				
Hospital discharge service	40		A review of the service is in progress with plans for more cost effective service delivery to generate this saving.	<b>Achievable</b>
Reconfigure posts / skills mix	20		Within Adult Services active consideration of existing posts has meant that in many cases more economical staffing costing arrangements have put in place of previous posts which have a greater cost. Examples are replacement of a Social Worker in Older People Services with a Reviewing Officer / Community Care Officer and recruiting Disability Assistants rather than Occupational therapists in Disability Resource Team.	<b>Achievable</b>
Joint Commissioning - Adults	26		Continued drive to share costs with partner agencies through joint commissioning and review of nursing care invoices	<b>Achievable</b>
Increased preventative work	20	20	The cost per week for residential care is £288 and for Very Dependent Elderly £360.50 so the target would be to reduce the admissions by at least 3 people despite the increase in numbers of older people, by following through on rehabilitation and health promotion strategies.	<b>Achievable</b>
Homecare reductions due to telecare		30	Introduction of additional voluntary service charges within Community Living Projects will generate additional income in 2007/08	<b>Achievable</b>
Re configure ABER project eligible for Supporting People funding		60	This project meets the criteria for Supporting People funding and would allow us to re configure an existing service more in keeping with the reablement agenda.	<b>Achievable</b>
Llys Marchan Draft mgt agreement and savings by negotiation with Clwyd Alyn		4	The negotiations on this matter need to be concluded which would save yearly legal costs.	<b>Achievable</b>
		2	negotiation with Clwyd Alyn has resulted in a saving on the contract.	<b>Achievable</b>
Review of use of external work opportunities services which are higher cost than in house		8	There is evidence that external work opportunities are higher in costs than internal due partly to the income generation so a review of contracts and a drive to place more people in internal work opportunities would reduce costs	<b>Achievable</b>
Increase income		30	The review of charges in 06/07 will generate additional income in 2007/08	<b>Achievable</b>
<b>Business Support &amp; Development</b>				
Implementation of the PARIS system - improved processing	5		We have included only a small saving in 07/08 as there will be a lot of additional time and effort require don implementation. However by the last quarter of the year there should be a saving in time of MIS officers in verifying and checking data which should translate into actual cash savings	<b>Not thought to be achievable-will source other savings</b>
Improved staff retention -	22		Savings on agency costs, recruitment costs and managers time	<b>Achievable</b>
Complaints Investigation collaboration and focus on resolution at stage 1	3		Additional time has been committed to meeting complainants at the first stage and working to an earlier resolution to avoid the need for formal investigation at stage 2. There is also joint work across north Wales being led by Denbighshire on the recruitment of Independent t Investigators which should reduce costs.	<b>Achievable</b>
Deletion of ½ post in Senior management admin	10		Re design of some other admin posts will assist with this together with increasingly efficient working of the Directorate administration office.	<b>Achievable</b>
Receivership reconfigure post/generate additional income		10	Invest to save redesign of a post which should mean a greater recovery of costs for the Authority	<b>Achievable</b>
Efficiencies in office accommodation - Brighton Road		18	Savings from cleaning, caretaking shared facilities and repair costs are not likely to be realised until the last quarter of the year and so would be more suitable for 08/09savings targets.	<b>Achievable</b>
<b>General</b>				
Sickness Absence management	26		This figure is based on the saving to the authority of cover for sickness absence in direct care posts.	<b>Achievable</b>
Transport savings across Directorate		50	The target is to reduce the high cost of transport through the transport review, this is a specific project for the Senior Administrative Officer.	<b>Achievable</b>
<b>Housing</b>				
Housing Savings - Efficiency savings to be achieved by reduction in Bed & Breakfast Accommodation	2	15	The Council is using leased properties as a more cost effective replacement	<b>Achievable</b>
<b>Business Support and Development</b>				
<b>Total</b>		<b>295</b>	<b>247</b>	

**MONTHLY REVENUE BUDGET MONITORING REPORT - FINANCIAL YEAR 2007/08**  
**RESOURCES, COUNTY CLERK, CORPORATE & MISCELLANEOUS**  
**POSITION AS AT END AUGUST 2007**

	Budget			Projected Outturn			Variance			Variance
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Previous report
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
County Clerks	1,780	-393	1,387	1,780	-393	1,387	0	0	0	0
<b>Resources Directorate</b>										
Finance	4,610	-2,061	2,549	4,610	-2,061	2,549	0	0	0	0
Policy Unit	403	0	403	403	0	403	0	0	0	0
Audit	438	-85	353	438	-85	353	0	0	0	0
I.T	2,734	-489	2,245	2,734	-489	2,245	0	0	0	0
Personnel	1,214	-258	956	1,214	-258	956	0	0	0	0
Project Management	26	0	26	26	0	26	0	0	0	0
<b>Total</b>	<b>9,425</b>	<b>-2,893</b>	<b>6,532</b>	<b>9,425</b>	<b>-2,893</b>	<b>6,532</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporate and Miscellaneous</b>	7,150	-871	6,279	7,150	-871	6,279	0	0	0	0
<b>Benefits</b>	22,151	-22,188	-37	22,151	-22,188	-37	0	0	0	0
<b>Capital Fin Charges/Investment Income</b>	10,965	0	10,965	10,965	0	10,965	0	0	0	0

**Note : All efficiency savings proposals on target to be delivered.**

**Denbighshire County Council - Capital Plan 2007/08 - 2009/10**

**APPENDIX 2**

		2007/8	2008/9	2009/10
		£000s	£000s	£000s
<b>Capital Funding:</b>				
<b>1</b>	<b>General Funding:</b>			
	Unhypothcated Supporting Borrowing	5,811	5,643	5,776
	General Capital Grant	3,623	1,736	1,736
	General Capital Receipts	4,736	0	0
	Earmarked Capital Receipts	2,723	0	0
		16,893	7,379	7,512
<b>2</b>	<b>Prudential Borrowing</b>	10,355	1,000	0
<b>3</b>	<b>Reserves and Contributions</b>	673	0	0
<b>4</b>	<b>Specific Grants</b>	21,169	3,457	20
	<b>Total Finance</b>	49,090	11,836	7,532
	<b>Total Estimated Payments</b>	-48,050	-9,654	-395
	<b>Contingency</b>	-1,000	-1,000	-1,000
	<b>Unallocated Reserve</b>	0	-1,182	-110
	<b>Surplus/ -Insufficient Resources</b>	40	0	6,027



## Capital Expenditure By Directorate

	2007/08	2007/8	2008/9	2009/10
	Spend to end August	Estimated programme	Estimated programme	Estimated programme
		£000	£000	£000
Environment	6,386	22,748	4,220	30
Lifelong Learning	4,639	23,239	5,054	40
Resources	212	1,440	300	75
Social Services and Housing	53	663	80	250
<b>Total</b>	<b>11,290</b>	<b>48,090</b>	<b>9,654</b>	<b>395</b>

## Capital Expenditure by Council Priority

	2007/08	2007/8	2008/9	2009/10
	Spend to end August	Estimated programme	Estimated programme	Estimated programme
		£000	£000	£000
School Buildings	3,340	15,618	3,993	0
Highways	1,253	5,627	800	0
Public Realm	1,409	3,903	190	30
<b>Total</b>	<b>6,002</b>	<b>25,148</b>	<b>4,983</b>	<b>30</b>

As part of its 06/07 & 07/08 revenue budget, the Council agreed to fund the borrowing costs of additional Prudential Borrowing. The table below shows how the funds were allocated and forecast expenditure

## Additional Prudential Borrowing

	2007/08	2007/8
	Spend to end August	Estimated programme
	£000	£000
School Buildings	0	1,322
Highways	0	2,000
Health & Safety	50	500
<b>Total</b>	<b>50</b>	<b>3,822</b>

**REPORT TO CABINET**

**FROM: ALAN EVANS, DEPUTY CHIEF EXECUTIVE /  
CORPORATE DIRECTOR: RESOURCES**

**DATE: 25 September 2007**

**SUBJECT: ANNUAL TREASURY REPORT 2006/07**

**1 DECISION SOUGHT**

The CIPFA code of practice on Treasury Management requires a creation and maintenance of a Treasury Management Policy statement which sets out the policy and objectives of the Councils Treasury Management activities. The policy requires that an annual strategy to be produced.

Denbighshire County Council's Treasury Management Strategy for 2006/07 states that Cabinet will receive an annual report on the performance of the treasury management function. This report covers the previous expectations of the economic climate, the resultant strategy agreed, actual interest rate performance and the actions undertaken by the Council in response.

In accordance with the Policy, Cabinet is asked to approve this report on treasury activities undertaken in 2006/07, which is attached as an appendix.

**2 REASON FOR SEEKING DECISION**

Denbighshire County Council's Treasury Management Strategy 2006/07 was approved by Council on 28 February 2006. This document states that the Council will report on its investment activity as part of its Annual Treasury Report (to be produced before 30 September following the financial year end).

**3 POWER TO MAKE THE DECISION**

The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (made under the Local Government Act 2003) contain a regulation (regulation 19) relying on the power in section 15(1) (b) of the Local Government Act 2003. It requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management 2001 which determines the requirement for the Cabinet to receive an annual report on treasury activities for the previous financial year.

#### **4 COST IMPLICATIONS**

None

#### **5 FINANCIAL CONTROLLER STATEMENT**

It is a requirement under the terms of Denbighshire County Council's Treasury Policy Statement for members to be advised of the Treasury activities undertaken in the preceding financial year.

#### **6 CONSULTATION CARRIED OUT**

Not applicable

#### **7 IMPLICATIONS ON OTHER POLICY AREAS**

##### **7.1 THE VISION**

7.1.1 None directly

##### **7.2 OTHER POLICY AREAS INCLUDING CORPORATE**

7.2.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

#### **8 RECOMMENDATION**

Cabinet is asked to approve the Annual Treasury Report for 2006/07.

**DENBIGHSHIRE COUNTY COUNCIL**

***ANNUAL TREASURY REPORT  
2006/07***

**Alan Evans  
Corporate Director - Resources**

## CONTENTS

<b>Section</b>	<b>Title</b>
	Glossary / useful terminology
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<b>II</b>	Performance Measurement
<b>III</b>	The Strategy for 2006/07
<b>IV</b>	The Economy in 2006/07
<b>V</b>	Borrowing and Investment Rates in 2006/07
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<b>VIII</b>	Investment Outturn for 2006/07
<b>IX</b>	Debt Rescheduling

## GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

<b>AEI</b>	<b>Average earnings index – a measure of the increase in wages</b>
<b>APR</b>	<b>Annual Percentage Rate</b>
<b>Bank of England</b>	<b>UK’s Central Bank</b>
<b>Bank Rate</b>	<b>Bank of England Interest Rate (also known as Base Rate)</b>
<b>CPI</b>	<b>Consumer Price Inflation – a measure of the increase in prices</b>
<b>DMO</b>	<b>Debt Management Office – issuer of gilts on behalf of HM Treasury</b>
<b>Fed. Rate</b>	<b>United States Interest Rate (equivalent to the UK’s bank or base rate)</b>
<b>FSA</b>	<b>Financial Services Authority- the UK financial watchdog</b>
<b>GDP</b>	<b>Gross Domestic Product – a measure of financial output of the UK</b>
<b>Gilts</b>	<b>investments issued by UK Government which pay a fixed cash payment to the holder</b>
<b>LIBID</b>	<b>London Interbank Bid Rate - International rate that banks lend to other banks</b>
<b>LIBOR</b>	<b>London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)</b>
<b>Longer – term Interest rates</b>	<b>More than 12 month’s duration – based on PWLB rates</b>
<b>PWLB</b>	<b>Public Works Loan Board – a Government department that lends money to Public Sector Organisations</b>
<b>MPC</b>	<b>Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate</b>
<b>RPI</b>	<b>Retail Price Index – a measure of the increase in prices</b>
<b>Shorter term Interest rate</b>	<b>Less than 1 year’s duration – variable rate (base rate)</b>

## Introduction and Background

The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management 2001 was adopted by this Council in March 2002 and this Council fully complies with its requirements. The primary requirements of the Code are the: -

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Cabinet / Council of an annual strategy report for the year ahead and an annual review report of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

Treasury management in this context is defined as:

“The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

## I. Summary Treasury Position

### Borrowing

The Council's general loan debt position increased during the year:

- We had external debt at the start of the year of £116.157m and this increased to £116.402m at 31 March 2007, a net increase of £0.245m.
- All external debt at 31 March 2006 was held with the Public Works Loan Board (P.W.L.B.) and all loans were on a fixed interest basis.
- Annual interest charges amounted to £7.477m, the average rate being 6.44%, a reduction 0.26% from last year's 6.70%.

### Investments

During the year, the Council's investments were as follows:

- We had an average balance of £37.94m invested at any one time
- We achieved an average rate of return of 4.87%. This is 0.03% over our benchmark of 4.84% and is equivalent to an additional income of £11.4k.
- We earned total gross interest of £1,850k.
- We had total year-end investments of £29m comprising

	£m
Reserves	9
Balances	10
Unspent capital resources	8
Other	2
<b>Total</b>	<b>29</b>

A summarised analysis of the portfolio position, including temporary investments is presented in Appendix 1.



## II. Performance Measurement

One of the key changes in the revision of the Code in 1996 was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in the table in Appendix 1).

## III. The Strategy for 2006/07

Denbighshire's treasury strategy for 2006/07 was based on Sector's view of the rate of growth of GDP in the UK economy only recovering weakly during 2006/07 and remaining at a below trend level of 2.0% in 2006. In addition, continuing increases in the Fed rate in the US would reduce economic growth there to 2.5% in 2006 while growth in the Euro area was also expected to continue weak but to rise a little.

Given this overall quite weak outlook, it was Sector's forecast that there would need to be two cuts in the Bank Rate from 4.5% to 4.0% by the end of 2006 in order to stimulate growth in the economy. This would then be followed by quarterly 0.25% increases in Bank Rate in quarters 1 to 3 of 2007 once the economy had regained its trend growth rate of about 2.5 – 2.75% p.a.

The effect on interest rates for the UK was therefore expected to be as follows:

- ❖ **Shorter-term interest rates** - The "average" City view anticipated that weak growth in the UK, US and EU would lead to a decrease in U.K. Bank Rate from 4.5% to either 4.25 or 4.00% by the end of 2006.
- ❖ **Longer-term interest rates** - The view on longer-term fixed interest rates was that long term PWLB rates would rise by about 0.25% to end 2006/07 at around 4.75%.

The agreed strategy put to Council in February 2006, based on the above forecast, was:

- The Council's investment priorities were the security of capital and liquidity of its investments and to aim to achieve the optimum return on its investment commensurate with proper levels of security and liquidity.
- The Council continued to make temporary, short-term investments with reference to core balance and cash flow requirements and the outlook for short-term interest rates (up to 12 months). The Bank Rate was expected to fall to 4.00% in Q4 2006, and therefore reaching the bottom of the cycle. The rate was expected edge up by .25% Q1 in 2007 and remains at 4.75% to end of the year.
- Against this background, caution was again adopted with the 2006/07 treasury operations. The Corporate Director – Resources monitored the interest rate market and adopted a pragmatic approach to any changing circumstances, reporting any decisions to Cabinet at the next available opportunity.

## IV. The Economy in 2006/07

**Shorter-term interest rates** – Bank Rate started 2006/07 at 4.5%, having been unchanged at this level since August 2005. The Bank of England Inflation Report of May 2006 marked a watershed. MPC suspicions that official data had been under recording the strength of economic growth were vindicated by retrospective adjustments (increases) to annual growth figures extending back as far as 2001. Previous expectations of cuts in Bank Rate in 2006 evaporated and were replaced by the reverse expectation i.e. at least one, if not two increases of 0.25% by the end of 2006. Bank Rate accordingly rose to 4.75% in August 2006 and then to 5.0% in November.

This was then followed by another rate increase in January to 5.25% which was a huge shock to both the financial markets and forecasters and immediately sparked inferences that the MPC had had access to some bad news on the inflation front, which was not available to the markets at that time, before it took that decision.

These fears were indeed confirmed soon after by the news that CPI (Consumer Price Inflation) had jumped to 3.0% in December, a whisker away from the MPC having to write a letter of explanation to the Chancellor (if it had gone over 3.0%). The annual growth rate also hit 3.0%, the highest in two years, in Q4 2006 adding to confirmation that the recent increases in Bank Rate had done little to dampen the economy and stoking expectations that Bank Rate would have to rise even further.

**Longer-term interest rates** – The PWLB 45-50 year rate started the year at 4.20% (25-30 year at 4.30%) and fell to a low of 4.05% several times in late September to early November (25-30 year low was 4.20% in September and November). The high point for 45-50 year was 4.50% in late March 2007 (25-30 year had several highs of 4.65% in January to March 2007) before finishing the year at 4.45% (25-30 year 4.65%). The sustained rise in long term rates in Q4 2006 and Q1 2007 was underpinned by the rise in inflation expectations.

## V. Borrowing and Investment Rates in 2006/07

**12-month bid rates:** During early April 2006, the LIBID rate hit a low of 4.63% and the Bank Rate was increased to 4.75% on 3 August. There were general money market expectation of another Bank Rate increase, which saw the rate continue to climb to hit 5.4% and in early November the Bank Rate rose to 5.0%. This rising trend continued and the surprise Bank Rate increase on 11 January 2007 saw 12 month LIBID jump to 5.76%. It then ended the year at 5.81%.

**Longer-term interest rates** The 25-30 year rate started the year at 4.30% and hit a low of 4.20% in September and November before reaching a high at the end of the year of 4.65%.

The PWLB 45-50 year rate started the year at 4.20% and then rose to 4.45% around the end of the second quarter of the year. The rate then fell back to a year low of 4.05%. However, it then climbed back again to 4.45% on a number of occasions in late January – March and finished on a year high of 4.50% near the year end.

## **VI. Borrowing Outturn for 2006/07**

As comparative performance indicators, average PWLB maturity loan interest rates for 2006/07 were:

1 month (variable)	5.00%
1 year	5.13%
9 - 10 year	4.83%
25 - 30 year	4.44%
45 - 50 year	4.27%

The Council undertook new borrowing of £1.08m during 2006/07 at the following rate:

£1,080,000	26 years	4.65%
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The Council also rescheduled debt of £5m at the following rate:

£5,000,000	45.5 years	4.35%
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As highlighted in Section 1 above the average debt portfolio rate has moved over the course of the year from 6.70% to 6.44%.

## **VII. Compliance with Treasury Limits and Prudential Indicators**

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Treasury Management Strategy for 2006/07. The outturn for the Prudential Indicators is shown in Appendix 2.

## **VIII. Investment Outturn for 2006/07**

The Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council has invested over a range of periods from overnight up to 2 years, dependent on the Council's cash flows, its interest rate view and the interest rates on offer.

The Council took advantage of opportunities to lengthen the term of its investment portfolio by placing various deposits for up to 2 years in accordance with advice received from the Council's treasury advisers, Sector, as rates changed at various times during the year.

Detailed below is the result of the investment strategy undertaken by the Council.

	<b>Average Investment Balance</b>	<b>Average Deal Size</b>	<b>Average Term</b>	<b>Average Rate of Return</b>	<b>Benchmark Return *</b>
<b>2006/07</b>	£37.94m	£2.7m	100 days	4.87%	4.84%
<b>2005/06</b>	£39.0m	£2.8m	77 days	4.73%	4.53%

- The benchmark for internally managed funds is the average 7-day LIBID (London Interbank Bid) rate (uncompounded) sourced from the Financial Times.

No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year.

## **IX. Debt Rescheduling**

As part of its ongoing efficiency review of service expenditure, the Council took advantage of an opportunity to reschedule a proportion of debt.

In February 2007, the Council rescheduled £5m (4% of the total £116m debt portfolio). One loan with an interest rate of 4.45% was replaced by another loan at 4.35%. This created ongoing annual savings of approximately £17k in financing costs. This also yielded an early repayment discount of £216k and this is written off to the accounts over 10 years.

## APPENDIX 2: PRUDENTIAL INDICATORS

<b>CAPITAL PRUDENTIAL INDICATORS</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>actual</b>	<b>original</b>	<b>actual outturn</b>
<b>Capital Expenditure</b>			
Non – HRA	27,345	33,996	31,479
HRA	6,397	5,328	6,210
TOTAL	33,742	39,324	37,689
<b>Ratio of financing costs to net revenue stream</b>			
Non – HRA	6.65%	6.65%	6.60%
HRA	9.07%	9.71%	10.22%
<b>Net borrowing requirement</b>			
brought forward 1 April	0	0	0
carried forward 31 March	0	0	0
in year borrowing requirement	7,500	10,600	1,080
<b>Capital Financing Requirement as at 31 March</b>			
Non – HRA	105,347	116,134	113,680
HRA (applies only to housing authorities)	10,746	12,342	12,851
TOTAL	116,093	128,476	126,531
<b>Annual change in Cap. Financing Requirement</b>			
Non – HRA	3,684	10,787	8,333
HRA	872	1,596	2,105
TOTAL	4,556	12,383	10,438
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in council tax (band D) per annum	0.00	10.91	10.78
Increase in average housing rent per week	3.86	5.05	5.05

<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>actual</b>	<b>original</b>	<b>final</b>
<b>Authorised limit for external debt -</b>			
Borrowing	116,157	131,000	131,000
other long term liabilities			
<b>TOTAL</b>	<b>116,157</b>	<b>131,000</b>	<b>131,000</b>
<b>Operational boundary for external debt -</b>			
Borrowing	116,157	126,000	126,000
other long term liabilities			
<b>TOTAL</b>	<b>116,157</b>	<b>126,000</b>	<b>126,000</b>
<b>Upper limit for fixed interest rate exposure</b>	100%	100%	100%
<b>Upper limit for variable rate exposure</b>	0%	25%	25%
<b>Upper limit for total principal sums invested for over 364 days</b>	0	3,000	3,000

<b>Maturity structure of fixed rate borrowing during 2006/07 *</b>	<b>Upper limit</b>	<b>lower limit</b>
under 12 months	5%	0%
12 months and within 24 months	5%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	30%	0%
10 years and above	100%	0%

\* The table shows the limits set for 2006/07. All the new borrowing undertaken during 2006/07 was greater than 10 years in duration.

	Loan/ Investment Interest	Debt/ Investments Outstanding 1 Apr 06	Loans/ Investments Raised 2006/07	Loans/ Investments Repaid 2006/07	Debt/ Investments Outstanding 31 Mar 07		Gross Interest 2006/07	Average Rate 2006/07		Average Rate 2005/06
		£ 000s	£ 000s	£ 000s	£ 000s	No.	£ 000s	%		%
<b>Loan Debt:</b>										
P.W.L.B.	Fixed	116,157	6,080	5,835	116,402		7,477	6.44		6.70
Temporary Loans	Fixed	116,157 0	6,080 3,000	5,835 3,000	116,402 0	83	7,477 2	6.44 5.32		6.70 0.00
<b>Total Debt</b>		116,157	9,080	8,835	116,402	83	7,479	6.44		6.70
<b>Investments</b>	Fixed	26,100	236,847	233,947	29,000	10	1,850	4.87		4.73

**CABINET  
FORWARD WORK PROGRAMME**

<b>REPORT TITLE</b>	<b>REPORT LEAD MEMBER / AUTHOR</b>
<b>OCTOBER 2007</b>	
Revenue Budget Monitoring Report 2007-2008	Councillor G O Rowlands R Parry
Capital Plan	Councillor G O Rowlands R Parry
Routine Reporting on Personnel	Councillor S A Davies L Atkin / G Humphreys
Performance Appraisal Update	Councillor S A Davies L Atkin / G Humphreys
Housing Revenue Account Budget	Councillor P A Dobb P Quirk
Action Plan for Estyn Report	Councillor D Owens H W Griffiths
Rhyl Post 16 Education	Councillor D Owens H W Griffiths
West Rhyl Regeneration Strategy – Clarification Note PCN	Councillor E W Williams M Pender
Section 33 Agreement – Community Occupational Therapy Service Development of a Section 33 Partnership Agreement for Integrated Provision between Denbighshire County Council, Conwy & Denbighshire NHS Trust and Denbighshire Local Health Board under the provision of Section 33 of the National Health Service (Wales) Act 2006.	Councillor P A Dobb S Ellis / Neil Ayling
Proposal for a Performance Appraisal System for Cabinet Members	Councillor S A Davies K Methven
Relationship Manager’s Annual Letter	Councillor R W Hughes J Williams
Joint Procurement of Waste Disposal Services via North Wales Waste Partnership (explains the mechanism by which the Council expects to satisfy its Landfill Diversion Target, and will seek approval to commit the Council to a very significant procurement process)	Councillor E W Williams S Parker
<b>NOVEMBER 2007</b>	
Revenue Budget Monitoring Report 2007-2008	Councillor G O Rowlands R Parry
Capital Plan	Councillor G O Rowlands R Parry
Routine Reporting on Personnel	Councillor S A Davies L Atkin / G Humphreys
Housing Revenue Account Budget	Councillor P A Dobb P Quirk
Rural Development Plan for Wales Business Plan for Rural Denbighshire	Councillor R W Hughes M Dixon
Corporate Consultation	Councillor S A Davies J Williams
Clwyd Leisure Joint Study	Councillor S Roberts T Hughes
<b>DECEMBER 2007</b>	
Revenue Budget Monitoring Report 2007-2008	Councillor G O Rowlands R Parry
Capital Plan	Councillor G O Rowlands



<b>REPORT TITLE</b>	<b>REPORT LEAD MEMBER / AUTHOR</b>
	R Parry
Routine Reporting on Personnel	Councillor S A Davies L Atkin / G Humphreys
Housing Revenue Account Budget	Councillor P A Dobb P Quirk
Modernising Education: Report and Feedback and Implementation Plan to be Endorsed	Councillor D Owens H W Griffiths
Gating Orders in Denbighshire	Councillor E C Edwards G Boase / R Schwarz
Pontcysyllte Aqueduct and Llangollen Canal World Heritage Site	Councillor S Roberts T Hughes
<b>15 JANUARY 2008</b>	
Revenue Budget Monitoring Report 2007-2008	Councillor G O Rowlands R Parry
Capital Plan	Councillor G O Rowlands R Parry
Routine Reporting on Personnel	Councillor S A Davies L Atkin / G Humphreys
Housing Revenue Account Budget	Councillor P A Dobb P Quirk
<b>29 JANUARY 2008</b>	
Revenue Budget Monitoring Report 2007-2008	
Capital Plan	Councillor G O Rowlands R Parry
Routine Reporting on Personnel	Councillor S A Davies L Atkin / G Humphreys
Housing Revenue Account Budget	Councillor P A Dobb P Quirk
Health, Social Care & Well-being (HSCWB) Strategy 2008/11	Councillor P A Dobb Diane Hesketh
<b>19 FEBRUARY 2008</b>	
Revenue Budget Monitoring Report 2007-2008	
Capital Plan	Councillor G O Rowlands R Parry
Routine Reporting on Personnel	Councillor S A Davies L Atkin / G Humphreys
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<b>18 MARCH 2008</b>	
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