



To: Members of the Cabinet

Date: 14 January 2013

Direct Dial: 01824712589

e-mail: dcc_admin@denbighshire.gov.uk

Dear Councillor

I refer to this agenda for the meeting of the **CABINET** to be held at **10.00 am** on **TUESDAY, 15 JANUARY 2013** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN** and enclose the following report(s).

**Agenda Item
No**

9 FINANCE REPORT (Pages 3 - 18)

To consider a report by Councillor Julian Thompson-Hill, Lead Member for Finance and Assets detailing the latest financial position and progress against the agreed budget strategy.

Yours sincerely

G Williams
Head of Legal and Democratic Services

MEMBERSHIP

Councillors

Hugh Evans
Julian Thompson-Hill
Eryl Williams
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Report To: CABINET

Date of Meeting: 15th January 2013

Lead Cabinet Member: Councillor Julian Thompson-Hill

Lead Officer: Paul McGrady, Head of Finance & Assets

Title: Finance Report

1 What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2012/13 as at the end of December 2012. The report also gives a summary update of the Capital Plan, the Housing Revenue Account and Housing Capital Plan.

2 What is the reason for making this report?

To update members on the current financial position of the Council

3 What are the Recommendations?

Members note the budgets and savings targets for the year and progress against the agreed budget strategy.

4 Report details

The latest revenue budget forecast is presented as **Appendix 1** and shows an under spend across service and corporate budgets of £453k, which represents a variance of 0.39% across the total net budget. The position for schools forecasts positive net movement on balances of £121k.

The Housing Revenue Account summary is also included in Appendix 1 for information but this is a separate fund and not part of the council's main revenue budget.

Appendix 2 to this report gives an update showing progress against the savings and pressures agreed as part of the 2012/13 budget setting process. In total, net savings of £3.443m were agreed and £2.834m (82%) have been achieved with £584k (17%) classed as in progress and £25k (1%) has been deferred to next year. The deferral relates to savings due to printer rationalisation. One item within Children's Services (Reshaping the Supervised Contact Service - £43k) will now be delivered next year and has been replaced in the current year by other savings as reported last month. The remaining items still classed as 'in progress' are all thought to be achievable, but in most cases require analysis of a full year's activity to

properly assess whether the saving measure listed has actually 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?

This section of the report is used to highlight any key variances from budget or savings targets, risks or potential additional savings that may arise throughout the year and to give a more general update on the Capital Plan and the Housing Revenue Account. Detailed below are areas that require further explanation.

Service Budgets

Adult & Business Services - the 2012/13 outturn is currently reported as a break-even budget, although an over spend of approximately £180K is currently predicted (down from the £209K reported last month). As part of the agreed budget strategy (and also confirmed at previous Service Challenge meetings) the final overspend will be offset by utilising the Supporting People Reserve in 12/13. The reduced forecast over spend follows a detailed review of each area of spend following the recent budget realignment process undertaken across the Department.

Children & Family Services - the outturn is currently forecast to be an under spend of £60K (from a break-even position last month). The positive change relates to a previously reported overspend on the Genesis Project of £58K to an under spend of £1K this month, which is due to DfES now agreeing to honour the match funding evidence previously not accepted. The final under spend could increase as a number of issues are provided for in the outturn but are still to be resolved or implemented before the financial year end. The total of these is £154k and includes a dispute with the NHS about contributions to a care package (£76k) and staffing and other potential costs of £78k.

Housing & Community Development (Including Regeneration) – The **non-HRA Housing** budget is forecast to be on target. A previous pressure reported within the **Regeneration** budget (£44k pressure on the Rhyl Going Forward project) has been removed as the proportion of scheme costs claimable from external grants has increased.

The **ICT** budget is now forecast to be under spent by £23k. The service has been faced with significant additional licensing costs this year which have been absorbed within existing budgets.

Schools - at the end of December the projection for school balances is £1.941m. This is a positive movement of £121k on the balances of £1.801m brought forward from 2011/12. 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.

A review of the Council Tax yield suggests that the collection rate is higher than the amount budgeted for. The flooding will have an impact on this as some households will qualify for relief. It is assumed that any benefit from the council tax yield will be used to contribute to the funding of the council's strategic investment priorities as part of the Corporate Plan.

Capital Plan

Expenditure to the end of December is £17.07m against an agreed Plan of £37.8m. **Appendix 3** shows a summary of the current plan and how it is financed. An overview of major capital projects is shown as **Appendix 4**.

Housing Revenue Account (HRA)

The latest HRA forecast remains unchanged and shows an in-year deficit of £63k. This compares to a budgeted in-year surplus of £71k. The budget and outturn however includes a provision to fund £431k of capital expenditure from revenue. The Business Plan remains viable and based on the latest forecast, the HRA balance carried forward will be £808k, compared to a budgeted projection of £942k.

The Housing Capital Plan is forecast to spend £7.4m in 2012/13 which is part-funded by prudential borrowing (£4.6m). Welsh Housing Quality Standard is expected to be achieved during 2013.

Draft Housing Subsidy Determinations for 2013/14 were received from Welsh Government in December with final Determinations due to be published in mid-January. This confirms that the housing subsidy system will remain for at least another year. The Determinations and the impact on rent setting and the HRA budget are being analysed currently and, along with the results of the recent Stock Condition Survey, will be incorporated into a revised Housing Stock Business Plan to be presented to Cabinet in February.

A summary of the latest HRA position is shown in the table below.

Housing Revenue Account & Capital Plan Summary:

<u>Housing Revenue Account Summary 2012/13</u>	
<u>December 2012</u>	
Expenditure	£'000
Housing Management & Maintenance	5,799
Capital Charges	2,662
Subsidy	3,081
Provision for Bad Debts	29
Revenue Funding Capital Expenditure	431
Total Expenditure	12,002
Income	
Rents	11,777
Garages	157
Interest	5
Total Income	11,939
In Year Surplus /(Deficit)	(63)
HRA Balance Carried Forward	808

<u>Housing Capital Plan</u>	
<u>December 2012</u>	
	£,000
Planned Expenditure	7,445
Funded By:	
Major Repairs Allowance	2,400
Revenue Contribution	431
Capital Receipts	17
Prudential Borrowing	4,597
Total	7,445

7 What consultations have been carried out?

The revenue budget was recommended by cabinet and agreed formally by council after an extensive round of service challenges. The capital plan was approved by council following scrutiny by the Strategic Investment Group and recommendation by cabinet. The Housing Revenue Account has been approved following consultation with elected members and tenant federation representatives.

8 Chief Finance Officer Statement

Services are expected to deliver the savings agreed through the Service Challenges and budget setting process and on the whole are on target to achieve them. 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.

Economic Commentary & Treasury Management Update

The financial markets remain quite volatile and this continues to limit the number of institutions with which the council can invest and the length of investments the council can make. Both of these issues limit the returns the council can achieve. As the uncertainty in the markets continues, the council's policy limits most new investments to overnight deposits. This strategy of making short term investments is likely to continue for the medium term.

At the end of December, total borrowing was £134.08m at an average rate of 5.76% and total investments were £19.2m at an average rate of 0.75%.

9 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 and early reporting of variances will help ensure that the financial strategy is achieved.

Specific risks are apparent when dealing with capital projects and can include expenditure or time overruns, funding issues and other non-financial considerations. A robust approval mechanism and close financial monitoring and reporting, along with effective project management procedures, help to minimise these risks.

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.

10 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.

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Appendix 1

DENBIGHSHIRE COUNTY COUNCIL REVENUE BUDGET MONITORING REPORT 2012/13

Forecast as at 31/12/2012	Budget			Projected Outturn			Variance			Net	Variance Previous Report
	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000
Business Planning & Performance	1,568	-230	1,338	1,679	-341	1,338	111	-111	0	0.00%	0
Legal & Democratic Services	2,066	-553	1,513	2,139	-626	1,513	73	-73	0	0.00%	0
Finance & Assets	14,114	-7,043	7,071	14,938	-7,867	7,071	824	-824	0	0.00%	-1
Highways & Infrastructure	19,853	-9,378	10,475	19,791	-9,354	10,437	-62	24	-38	-0.36%	-40
Planning & Regulatory Services	4,321	-1,700	2,621	4,410	-1,789	2,621	89	-89	0	0.00%	0
Adult & Business Services	44,340	-12,453	31,887	44,760	-12,873	31,887	420	-420	0	0.00%	0
Children & Family Services	9,481	-705	8,776	10,030	-1,315	8,715	549	-610	-61	-0.70%	0
Housing & Community Development	3,877	-1,789	2,088	4,283	-2,193	2,090	406	-404	2	0.10%	44
Communication, Marketing & Leisure	10,599	-5,376	5,223	11,154	-5,931	5,223	555	-555	0	0.00%	0
Strategic HR	1,277	-376	901	1,616	-716	900	339	-340	-1	-0.11%	-4
ICT/Business Transformation	2,742	-760	1,982	2,619	-661	1,958	-123	99	-24	-1.21%	0
Environmental Services	18,310	-7,891	10,419	18,235	-7,926	10,309	-75	-35	-110	-1.06%	-111
Customers & Education Support	2,488	-505	1,983	2,465	-505	1,960	-23	0	-23	-1.16%	-23
School Improvement & Inclusion	11,817	-7,373	4,444	11,828	-7,457	4,371	11	-84	-73	-1.64%	-84
Total Services	146,853	-56,132	90,721	149,947	-59,554	90,393	3,094	-3,422	-328	-0.36%	-219
Corporate	42,769	-36,670	6,099	42,769	-36,670	6,099	0	0	0	0.00%	0
Transfer to Reserves	1,700	0	1,700	1,700	0	1,700	0	0	0	0.00%	0
Precepts & Levies	4,569	0	4,569	4,569	0	4,569	0	0	0	0.00%	0
Capital Financing	12,656	0	12,656	12,531	0	12,531	-125	0	-125	-0.99%	-125
Total Corporate	61,694	-36,670	25,024	61,569	-36,670	24,899	-125	0	-125	-0.50%	-125
Council Services & Corporate Budget	208,547	-92,802	115,745	211,516	-96,224	115,292	2,969	-3,422	-453	-0.39%	-344
Schools	69,320	-7,679	61,641	69,199	-7,679	61,520	-121	0	-121	-0.20%	-121
Total Council Budget	277,867	-100,481	177,386	280,715	-103,903	176,812	2,848	-3,422	-574	-0.32%	-465
Housing Revenue Account	11,841	-11,912	-71	12,001	-11,938	63	160	-26	134	-188.73%	134

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Appendix 2 Medium Term Financial Plan Update 2012/13
Update to 31/12/2012

<u>Ref</u>	<u>Action</u>	<u>Status</u>	<u>Saving £'000</u>	<u>Total £'000</u>
General				
A3	Convert Essential Car Users to Casual	Achieved	200	
A7	Costs of Democracy	Achieved	20	
				220
Support Services Review				
C1	HR Review - Ongoing Impact of Centralisation	Achieved	45	
C3	Legal services - phase 1	Achieved	70	
C4	Democratic support	Achieved	28	
C5	ICT/IM Structure	Achieved	60	
C6	ICT/IM Procurement	Deferred	25	
C7	Finance & Assets	Achieved	300	
				528
Service Challenges				
Leisure, Libraries & Community Development				
Da1	Leisure Services-New Booking System	Achieved	30	
Da2	Back office co-located with Youth	Achieved	30	
Da3	Transfer Town Halls to Town Councils	Achieved	80	
Da5	Remove subsidy by increasing income	In progress	120	
				260
Environmental Services				
Db2	Renegotiate recycle and disposal contracts	Achieved	510	
Db3	Service Redesign (Refuse)	Achieved	200	
Db4	Regional Waste Procurement budget	Achieved	134	
Db7	Other Reorg Savings	Achieved	20	
Db9	Fleet Efficiency	In progress	138	
Db12	Public Conveniences	Achieved	10	
Db14	WAG Waste Target Pressures	Achieved	-366	
Db15	Free School Meals Cost Pressures	Achieved	-20	
Db16	Countryside staff reduction	Achieved	50	
				676
Planning and Public Protection				
EC23	Review of Management Structure	Achieved	90	
EC25	Review of CCTV service	Achieved	30	
EC27	Review of Trading Standards	Achieved	28	
EC28	Miscellaneous Small Savings	In progress	12	
				160
Highways & Infrastructure				
EC12	Passenger Transport	Achieved	35	
EC13	Parking	Achieved	70	
EC15	Development Control	In Progress	18	
	NWTRA Fees	Achieved	100	
EC16	Winter Maintenance	In Progress	65	
				288
Adult Social Services				
Df1	Cefndy Healthcare,	Achieved	43	
Df2	Closer working of Fin assessments & Benefits	Achieved	30	
Other Adult Services				
Df4	Service Restructure	Achieved	130	
Older People				
Df5	Externalise elements of Home Care	Achieved	15	
Df6	Day care - review and rationalise	Achieved	30	
Df7	Review Meals on Wheels	In Progress	64	
Df8	Impact of investment in reablement	Achieved	75	
Df9	Residential Care - Impact of Extra Care	Achieved	100	
Mental Health				
Df11	Management Changes	Achieved	19	
Df12	Partnership Efficiency Savings	Achieved	26	

		<u>Status</u>	<u>Saving £,000</u>	<u>Total £'000</u>
Adult Social Services (con'd)				
Physical Disability & Impairment				
Df13	ISIL Scheme	In Progress	18	
Df14	Reablement Intervention	Achieved	26	
Df15	Telecare	Achieved	20	
Other Adult Services				
Df16	Administration Rationalisation	Achieved	67	
Df17	Systems Thinking and Vacancy Control	In Progress	40	
Business Support & Development				
Df18	PMDF Grant - Loss of funded posts	Achieved	152	
Df19	Workforce Development Review	Achieved	20	
				875
School Improvement & Inclusion				
Dh1	Service Restructure	Achieved	100	100
Children & Family Services				
Staffing				
Dj3	Other Staff Savings	Achieved	21	
	In-year Savings to fund Dj5 below	Replacement	43	
Refocus on Core Business				
Dj5	Re-shaping Supervised Contact Service (£43k)	Deferred	0	
Dj8	Reduction in Independent (external) Placement Provision	Achieved	48	
Decommissioning Services				
Dj11	Voluntary Organisation Grants	Achieved	37	
	Child Trust Funds	Achieved	2	
Dj12	Parenting Programme	Achieved	82	
Dj14	Rhyl Adventure Playground	Achieved	61	
Pressures				
Dj18	In-house Fostering	Achieved	-224	
Dj20	Legislative	Achieved	-28	
				42
Housing & Community Development				
Various Small savings in Housing				
Dc1	Review of Regeneration	Achieved	7	
Db17	Tourism Service Redesign	In progress	10	
Db18	Regeneration Service Redesign	In progress	49	
		Achieved	46	
				112
REGIONAL WORKING/COLLABORATION				
ENW1	Education Regional Board	Achieved	25	
ENW2	Social Care Regional Board	Achieved	25	
				50
OUTSOURCING				
G2	Bodelwyddan Castle	Achieved	18	
G4	ECTARC	Achieved	10	
				28
Other Cultural/Heritage activities				
H1	Pavilion Theatre	In Progress	50	
H2	Ruthin Craft Centre	Achieved	20	
H3	Llangollen Pavilion	Achieved	25	
H4	Heritage facilities	Achieved	9	
				104
Total Savings 2012/13				3,443
Summary:			£'000	%
Savings Achieved/Replaced or Pressures Confirmed			2,834	82
Savings In Progress/Being Reviewed			584	17
Savings Not Achieved or Deferred and not replaced			25	1
Total			3,443	

Denbighshire County Council - Capital Plan 2012/13 - 2015/16
Position to December 2012

APPENDIX 3

		2012/13	2013/14	2014/15	2015/16
		£000s	£000s	£000s	£000s
<u>Capital Expenditure</u>					
	Total Estimated Payments	36,427	17,001	2,025	399
	Contingency	1,402	1,000	1,000	1,000
	Total Expenditure	37,829	18,001	3,025	1,399
<u>Capital Financing</u>					
1	General Funding:				
	Unhypothecated Supported Borrowing	7,152	4,342	2,947	2,864
	General Capital Grant	3,251	1,844	1,841	1,841
	General Capital Receipts	728			
	Earmarked Capital Receipts	98	77	0	0
	Total General Funding	11,229	6,263	4,788	4,705
2	Prudential Borrowing	7,851	4,226	1,207	265
3	Reserves and Expenditure Funded by Revenue	2,534	947	0	0
4	Specific Grants and Contributions	16,215	10,431	745	0
5	Unallocated Funding	0	-3,866	-3,715	-3,571
	Total Capital Financing	37,829	18,001	3,025	1,399

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Appendix 4 Major Capital Projects Update

Rhyl Harbour Development

Budget	£10.493m (inc Revenue £413k)
Funding	WG £2.977m; WEFO £6.030m; Sustrans £0.700m and DCC £0.786m
Expenditure to Date	£5.006m
Comments	<p>Rhyl Harbour Cycle & Pedestrian Bridge The mechanical and electrical design was completed recently. Work continues on the discharge of the remaining planning conditions.</p> <p>Quayside Units, Public Square & Extended Quay Wall The Planning conditions associated with the planning consents are being satisfactorily progressed.</p> <p>The specification and a revised drawing for the building are being prepared. The tenders are programmed to go out early in the new year.</p> <p>Costs The projected expenditure includes the use of some of the capital contingency allocated to the project in 2011-12.</p> <p>Programme The bridge is currently nine weeks behind programme, and is now scheduled to complete early July 2013.</p> <p>A temporary Harbour Masters office together with a visitor centre is now located at Rhyl Harbour, and will remain for the duration of the works.</p> <p>The finishes to the square and the building are still scheduled to complete in December 2013.</p> <p>Publicity & Marketing A web page has now been set up for the project, and can be found at www.denbighshire.gov.uk/rhylharbourproject.</p> <p>A window display in the White Rose centre provides project display materials and information.</p> <p>Members of the Harbour Forum attended a site visit recently, and the Marine Lake Users Forum and Rhyl Environmental Group will be offered site visits in the near future.</p>
Forecast Expenditure 12/13	£5.844m

Highways Programme Works

Budget	£3.650m
Funding	Prudential Borrowing
Expenditure to Date	£1.807m
Comments	An allocation of £3.650m was made to progress highways capital works as part of the 2012/13 Capital Bid process. Progress on all works is progressing satisfactorily, and it is envisaged that the full allocation will be spent in 2012/13. An update (No4) detailing the use of the funding will be provided to all members shortly.
Forecast Expenditure 12/13	£3.650m

Bee and Station

Budget	£1.14m
Funding	ERDF £0.510m; SRA £0.395m; THI £0.168m; DCC £0.073m
Expenditure to Date	£0.635m
Comments	This project involves the renovation of the former Bee & Station hotel, Rhyl to provide business units to rent. Work to the interior of the original hotel is continuing with practical completion now expected in March. The project is on course to achieve a BREEAM 'excellent' rating for its environmental credentials.
Forecast Expenditure 12/13	£0.817m

Property Acquisition & Demolitions, Rhyl Going Forward

Budget	£10.006m
Funding	WG £10.006m
Expenditure to Date	£0.100m
Comments	Honey Club Demolition works are now planned to commence in the middle of January and will take ten weeks. A public enquiry for the CPO for the adjoining burnt out building (25-26 West Parade) is planned for the 12 th and 13 th February at Rhyl Town Hall. The Council's development partner is continuing with designs for the replacement building. West Rhyl Housing Improvement Project A formal offer of £10m grant has now been received from the Welsh Government, and work has commenced to implement the programme of works. The funding is available for expenditure up to the end of March 2014.
Forecast Expenditure 12/13	£3.092m

Denbigh High School Gymnasium Activity Studio

Budget	£0.474m
Funding	DCC £0.324m; Prudential Borrowing £0.150m
Expenditure to Date	£0.122m
Comments	<p>This project involves the replacement of the existing gymnasium structure with a new gymnastic dance activity studio.</p> <p>The existing gymnasium structure has been completely demolished and the site has been cleared. The contractors are now on the second phase and have erected the steel frame and will be undertaking the roofing and slab works in the new year. Completion of the new facility is anticipated by April 2013.</p>
Forecast Expenditure 12/13	£0.320m

Welsh Medium Area School – Ysgol Maes Hyfryd Site

Budget	£1.3m
Funding	WG £1.2m; DCC £0.1m
Expenditure to Date	£0.006m
Comments	<p>Ysgol Bro Dyfrdwy opened as a new school replacing Ysgol Llandrillo and Ysgol Maes Hyfryd on the 1st January 2013, and will initially operate on the two sites.</p> <p>The Welsh Government has recently announced £1.2m funding as part of the wider 21st Century Schools Programme. This will enable the new school to move to a single site following a significant extension and refurbishment to the current Ysgol Maes Hyfryd site.</p> <p>Planning permission has now been received and design work for the project is progressing.</p>
Forecast Expenditure 12/13	£0.100m

North Denbighshire Welsh Medium Provision

Budget	£4.878m
Funding	WG £3.061m, DCC £1.817m
Expenditure to Date	£0.301m
Comments	<p>The Welsh Government has provided funding as part of the transitional 21st century Schools Programme. This approval will allow for improvement works to be undertaken at three Welsh Medium schools.</p> <p>Ysgol y Lllys, Prestatyn This project will deliver an extended, remodelled and refurbished school for 420 pupils. Planning permission has now been granted. It is anticipated that work on site will commence this April with completion by August 2014.</p>

	<p>Ysgol Twm o'r Nant, Denbigh This project will deliver additional school hall accommodation and teaching areas. Planning permission has been granted. It is hoped to start works on site in April 2013, with completion towards the end of 2013.</p> <p>Ysgol Dewi Sant, Rhyl This project will deliver improved circulation within the school through the construction of an additional staircase at the rear of the school, additional and refurbished toilets and cloak areas, including the provision of a DDA accessible toilet. Work commenced on site during November 2012, with completion expected by March 2013.</p>
Forecast Expenditure 12/13	£0.800m