



To: Members of the Cabinet

Date: 9 January 2014

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Dear Councillor

I refer to this agenda for the meeting of the **CABINET** to be held at **10.00 am** on **TUESDAY, 14 JANUARY 2014** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN** and enclose the following report.

**Agenda Item
No**

11 FINANCE REPORT (Pages 3 - 14)

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

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Report To: Cabinet

Date of Meeting: 14th January 2014

Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady

Report Author: Richard Weigh, Chief Accountant

Title: Finance Report

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2013/14. The report also provides a summary update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan.

2. What is the reason for making this report?

The purpose of the report is to provide an update on the council's current financial position.

3. What are the Recommendations?

Members note the progress against the agreed budget strategy.

Members approve the following transfers to reserves as detailed in Section 6:

- £72k to the EDRMS Reserve
- £355k to the Strategic Investment Reserve (Extra Care Housing)
- £300k to a Modernising Social Care Reserve

4. Report details

The report provides a summary of the council's revenue budget for 2013/14 (**Appendix 1**). The council's net budget is £192m. At the end of December, there is a forecast under spend on service and corporate budgets of £951k (£656k last month) which represents a variance of 0.74%.

Appendix 2 to the report shows the progress to date against the savings highlighted in the Medium Term Financial Plan for 2013/13. A savings target of £3.061m was agreed for the year and so far 76% have been achieved. The target included £200k of modernisation savings. So far, it is assumed that approximately £140k will be achieved (including printer rationalisation and travel savings). A provision exists to fund any savings not achieved in the current year and any balance would be carried forward to next financial year.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

Narrative supporting service forecasts where necessary is detailed below:

Business Improvement and Modernisation – As reported previously, the service is currently projected to under spend due to the planned non-filling of vacant posts, this under spend has now increased to £72k due to the delay in investment in the digitisation of archived records. As requested in previous reports, £40k of this under spend will be used in future years to help pump-prime the EDRMS project and therefore will be placed in the EDRMS reserve that was created at the end of the last financial year. It is now requested that the remaining £32k of this planned under spend be utilised in 2014/15 to help fund an Information Officer post. Using resources generated by the service reduces the requirement for funding from the Business Transformation fund.

The under spend in **Legal & Democratic Services** is made up of £15k on Canvassers fees & £5k from the Chairman's allowance. Changes to electoral registration have resulted in less canvassing of voters than in previous years due to the introduction of a new national system which uses data matching. Both of these areas have been identified as budget efficiencies for 2014/15.

Highways & Environment Services – The Services is now showing an over spend of £96k. This is a positive movement of £141k compared to the previous month. The main areas of movement are:

- The over spend on School Transport has reduced by £131k to £282k. The main reason for this reduction relates to work undertaken by the section to validate routes. This has resulted in the identification of an instance of overcharging for a route. The supplier has agreed to repay these amounts and the cause of the overcharging and payment is being reviewed.
- As predicted last month, car parking income levels have further decreased over recent weeks due to the flooding events and the ongoing weather conditions. The main areas affected are Rhyl and Prestatyn, the latter in particular is due to the availability of free parking at the retail park and will be a recurring pressure for the service. This has resulted in an increase of £52k in the projected overspend for this area.
- The under spend within Environmental Services has increased by £48k largely due to the re-tendering of the propagation contract.

Adult & Business Services - the 2013/14 outturn within Adult and Business Services is currently showing an under spend of £355k. Of this, £55k is attributable to 14/15 budget savings proposals being implemented early in order to deliver the full year effect next year. The national requirement to protect social care budgets has resulted in additional funding within the year of £905k. This is being used to fund a number of projects aimed at reducing revenue costs in the future. Whilst the majority of the funding is being spent within the year, two of the schemes will be spread over a longer period,

creating an in-year under spend of £300k. The first is investment in Direct Payments to individuals to facilitate the purchase of equipment and will total £150k spread over three years (£25k in the current year). The second is investment in new technology (hand held devices and new software) totalling £175k to enable the workforce to work more efficiently. Orders have been placed for the equipment but delivery and upgrades will not take place until summer 2014. It is proposed therefore that a Modernising Social Care reserve is established to earmark this cash to meet the commitments from the current year's budget.

Welsh Government has recently announced an additional in year grant in respect of the First Steps Improvement Package totalling £355k (in 14/15 the figure is reduced to £117k and will form part of the RSG settlement). The grant is to contribute to the cost of limiting charges for non-residential care to £50 per week. As this funding has only recently been announced, it has not been accounted for in the current year forecasts and is not shown as part of the outturn in Appendix 1. It is proposed that the cash is earmarked for transfer to the Strategic Investment Reserve to contribute to the funding of extra care housing schemes as part of the Corporate Plan objectives. The funding may be used to "pump prime" any potential scheme(s) and used as a lever to attract external financing.

Children's Services - the current reported position is an under spend of £410k which has increased by approximately £100k since the last report. The main reason is an amount of £61k earmarked for a fostering placement is no longer required in the current year.

Communications, Marketing & Leisure - the current forecast is to break-even but the service has several budgets which are hugely dependent on meeting large income targets e.g. Rhyl Pavilion Theatre and also the leisure centres. However, based upon present figures all these budgets are on target but the theatre picture will become clearer once the pantomime income has been accounted for. In addition, the new leisure development at Ruthin has to date exceeded the customer numbers required as part of the business case. The delay in the opening of the new Foryd Harbour has impacted on the income levels for 13/14 but it has previously been agreed that any funding shortfall will be met corporately.

Schools - at the end of December the projection for school balances is £2.859m, which is a small negative movement of £6k on the balances brought forward from 2012/13 (£2.864m). The council continues to work with two schools in financial difficulty. Both schools have recovery plans in place and are actively working to the targets set out in these plans. The Non-delegated budget is currently projected to under spend by £114k. This projection is based on all known uses of the contingency budgets held centrally. Future decision and events may alter this position and will be reported on in future monitoring reports.

Corporate budgets – urgent works had to be undertaken to repair sea defences in Rhyl over the Christmas period because of forecasts of further

severe weather conditions. Initial estimates for the work totalled £350k and will be funded corporately. This accounts for the movement in the Corporate budget from the under spend of £100k reported last month to an over spend of £250k this month. The final costs are still being collated and will be met from general balances if required.

A claim is being submitted to Welsh Government under the provisions of the Emergency Financial Assistance Scheme (EFAS) to attempt to recover some of the costs of the initial responses to the flooding events. In order to qualify, expenditure must be in excess of a pre determined threshold (based approximately on 2% of the council's net budget). In response to the flooding events in 2012, the council was awarded funds by Welsh Government under the Financial Assistance for Recovery from Emergencies (FARE) scheme. Further details on the progress of claims will be reported to Cabinet next month.

Corporate Plan reserves of £10.3m have been carried forward into 2013/14, leaving a cash requirement of approximately £11.7m required to deliver the Plan. The latest forecast is that £3.1m will be used to fund the Plan in 13/14.

The **Housing Revenue Account (HRA)**. The latest revenue position assumes an increase in balances at year end of £108k, which is an improvement of £210k on the budgeted assumption. The main change from last month is a revision to the capital financing charge for the year. The charge is affected by the Housing Capital Plan for which the latest forecast assumes expenditure will be approximately £600k less than the budgeted spend of £8.1m. The main reasons are a number of refusals on some of the housing improvement contracts and deferral of some environmental improvement works until early in 2014/15. The Welsh Housing Quality Standard should be achieved by the end of 2013/14.

A summary of the **Capital Plan** is enclosed as **Appendix 3**. The approved general capital plan is £40.6m and expenditure to the end of December was £18.6m. Also included within Appendix 3 is the proposed expenditure of £6.6m on the **Corporate Plan**.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

A summary EqIA was submitted to Council in February 2013.

8. What consultations have been carried out with Scrutiny and others?

Service challenges were held with each head of service and each challenge included representatives from scrutiny committee and Cabinet. Corporate Plan and Budget workshops were held with members in September, November and December. The capital plan was approved by council following scrutiny by the Strategic Investment Group and recommendation by cabinet.

9. Chief Finance Officer Statement

It is important that services continue to manage budgets prudently and that any in-year surpluses are considered in the context of the medium-term financial position, particularly given the scale of budget reductions required over the coming two years.

At the end of December, the council's borrowing totalled £132.454m at an average rate of 5.79%. Investment balances were £25m at an average rate of 0.82%.

10. What risks are there and is there anything we can do to reduce them?

This is the most challenging financial period the council has faced and failure to deliver the agreed budget strategy will put further pressure on services in the current and future financial years. Effective budget monitoring and control will help ensure that the financial strategy is achieved.

11. Power to make the Decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.

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Appendix 1

DENBIGHSHIRE COUNTY COUNCIL REVENUE BUDGET MONITORING REPORT 2013/14

Forecast as at 31/12/2013	Net Budget	Budget 2013/14			Projected Outturn			Variance			Net %	Variance Previous Report £'000
	2012/13	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Business Improvement & Modernisation	1,370	1,805	-362	1,443	1,797	-426	1,371	-8	-64	-72	-4.99%	-40
Legal & Democratic Services	1,513	2,082	-555	1,527	2,095	-588	1,507	13	-33	-20	-1.31%	0
Finance & Assets	7,058	14,503	-7,433	7,070	15,118	-8,048	7,070	615	-615	0	0.00%	0
Highways & Environmental Services	20,893	37,038	-17,195	19,843	33,903	-13,964	19,939	-3,135	3,231	96	0.48%	238
Planning & Public Protection	2,621	4,247	-1,706	2,541	4,422	-1,904	2,518	175	-198	-23	-0.91%	-25
Adult & Business Services	31,865	47,614	-14,102	33,512	47,729	-14,572	33,157	115	-470	-355	-1.06%	0
Children & Family Services	8,913	9,406	-627	8,779	9,422	-1,053	8,369	16	-426	-410	-4.67%	-309
Housing & Community Development	2,103	3,355	-1,468	1,887	3,239	-1,658	1,581	-116	-190	-306	-16.22%	-306
Communication, Marketing & Leisure	5,224	11,828	-5,884	5,944	11,940	-5,996	5,549	112	-112	0	0.00%	0
Strategic HR	901	1,287	-368	919	1,569	-650	919	282	-282	0	0.00%	-1
ICT/Business Transformation	1,935	2,663	-707	1,956	2,625	-669	1,956	-38	38	0	0.00%	-1
Customers & Education Support	1,983	2,511	-505	2,006	2,413	-518	1,895	-98	-13	-111	-5.53%	-111
School Improvement & Inclusion	4,444	11,847	-6,978	4,869	7,686	-2,817	4,869	-4,161	4,161	0	0.00%	-1
Total Services	90,823	150,186	-57,890	92,296	143,958	-52,863	90,700	-6,228	5,027	-1,201	-1.30%	-556
Corporate	5,997	43,483	-28,970	14,513	43,733	-28,970	14,763	250	0	250	1.72%	-100
Transfers to Corporate Plan Reserve	1,700	3,100	0	3,100	3,100	0	3,100	0	0	0	0.00%	0
Precepts & Levies	4,569	4,593	0	4,593	4,593	0	4,593	0	0	0	0.00%	0
Capital Financing	12,656	13,230	0	13,230	13,230	0	13,230	0	0	0	0.00%	0
Total Corporate	24,922	64,406	-28,970	35,436	64,656	-28,970	35,686	250	0	250	0.71%	-100
Council Services & Corporate Budget	115,745	214,592	-86,860	127,732	208,614	-81,833	126,386	-5,978	5,027	-951	-0.74%	-656
Schools & Non-delegated School Budgets	61,643	72,979	-9,140	63,839	73,571	-9,841	63,730	592	-701	-109	-0.17%	-164
Total Council Budget	177,388	287,571	-96,000	191,571	282,185	-91,674	190,116	-5,386	4,326	-1,060	-0.55%	-820
Housing Revenue Account	-71	12,772	-12,670	102	12,619	-12,727	-108	-153	-57	-210		-94

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**Appendix 2 Medium Term Financial Plan Update 2013/14
Update to 31/12/2013**

<u>Ref</u>	<u>Action</u>	<u>Status</u>	<u>Saving £'000</u>	<u>Total £'000</u>
<u>General</u>				
A2	Reduce Contingency for balances and impact of Recession	Achieved	300	
A3	Convert Essential Car Users to Casual	Achieved	200	
A10	Modernising the Council	In progress	200	
A7	Costs of Democracy	Achieved	17	
				717
<u>Support Services</u>				
C6	ICT Printer Rationalisation Project	In progress	25	
C7	Finance & Assets	Achieved	100	
	Energy - Reduced Consumption	Achieved	100	
	Capital Financing Budget	Achieved	100	
				325
<u>Service Challenges</u>				
<u>Communication, Marketing & Leisure</u>				
Da5	Remove leisure subsidy by increasing income	In progress	70	
DK1	Modernise Library Service Provision	Achieved	77	
				147
<u>Environmental Services</u>				
Db2	Renegotiate recycle and disposal contracts	Achieved	225	
Db5	Regional Waste Procurement budget	Achieved	81	
Db6	Succession Planning	Achieved	15	
Db10	Service Redesign (Street Cleansing)	In progress	138	
	Various Minor reductions in expenditure within Env Servs	Replacement	15	
Db15	Free School Meals - increase take-up	Achieved	5	
Db15a	Reduced Subsidy of School Meal Service	Achieved	50	
Db16	Countryside - AONB	Achieved	-20	
Db17	Stores	Achieved	-45	
Db18	Recycling Parks	Achieved	100	
<u>Highways & Infrastructure</u>				
EC17	Traffic & Road Safety	In progress	50	
EC18	Highway Maintenance DLO	In progress	150	
				764
<u>Planning and Public Protection</u>				
EC21	Review Pest Control	Achieved	10	
EC23	Review of Building Control	Achieved	20	
EC26	Review of Pollution Control	Achieved	20	
EC29	Review of Management	Achieved	40	
				90
<u>Adult Social Services</u>				
Df1	Cefndy Healthcare - reduced subsidy	Achieved	46	
<u>Older People</u>				
Df5	Externalise elements of Home Care	Achieved	15	
Df8	Impact of investment in reablement	Achieved	75	
Df9	Residential Care - Impact of Extra Care	Achieved	155	
<u>Mental Health</u>				
Df11	Management Changes	Achieved	19	
Df12	Partnership Efficiency Savings	Achieved	26	

	<u>Status</u>	<u>Saving</u> <u>£,000</u>	<u>Total</u> <u>£'000</u>
Adult Social Services (con'd)			
Physical Disability & Impairment			
Df13	ISIL Scheme	Achieved	12
Df14	Reablement Intervention	Achieved	26
Df15	Telecare	Achieved	20
Other Adult Services			
Df17	Systems Thinking and Vacancy Control	Achieved	80
			474
Children & Family Services			
Staffing			
Dj4	Social Workers - reduction in caseload	Achieved	108
Dj7	Review of Bryn Y Wal Residential Service	Achieved	109
Dj8	Reduction in Independent (external) Placement Provision	Achieved	63
Pressures			
Dj18	In-house Fostering	Achieved	-35
Dj20	Legislative changes	Achieved	-28
			217
Housing & Community Development			
Various Small savings in Housing			
Dc1	Review of Regeneration	Achieved	1
Db18	Regeneration Service Redesign	Achieved	10
			23
			34
REGIONAL WORKING/COLLABORATION			
ENW1	Education Regional Board	Achieved	55
ENW2	Social Care Regional Board	In progress	35
ENW2	Social Care Regional Board	Deferred	65
			155
OUTSOURCING			
G2	Bodelwyddan Castle	Achieved	28
G3	Clwyd Leisure	Achieved	50
G4	ECTARC	Achieved	5
			83
Other Cultural/Heritage activities			
H2	Ruthin Craft Centre	Achieved	20
H3	Llangollen Pavilion	Achieved	25
H4	Heritage facilities	In progress	10
			55
			3,061
Total Savings 2013/14			
Summary:		£'000	%
Savings Achieved/Replaced or Pressures Confirmed		2,318	76
Savings In Progress/Being Reviewed		678	22
Savings Not Achieved or Deferred and not replaced		65	2
Total		3,061	

General Capital Plan

		2013/14	2014/15	2015/16	2016/17	2017/18
		£000s	£000s	£000s	£000s	£000s
Capital Expenditure						
	Total Estimated Payments - General	33,104	5,749	312		
	Total Estimated Payments - Corporate Plan Contingency	6,626	2,790			
		934	1,000	1,000	1,000	1,000
	Total	40,664	9,539	1,312	1,000	1,000
Capital Financing						
1	External Funding	26,910	10,540	4,777	4,571	4,571
2	Receipts and Reserves	3,211	1,854			
3	Prudential Borrowing	10,543	1,011	250		
5	Unallocated Funding	0	(3,866)	(3,715)	(3,571)	(3,571)
	Total Capital Financing	40,664	9,539	1,312	1,000	1,000

Corporate Plan

		£000s	£000s	£000s	£000s	£000s
Approved Capital Expenditure included in above plan						
	Cefndy Healthcare Investment	30	470			
	Highways Maintenance	2,808				
	Bridges	1,300				
	Schools Capitalised Maintenance	190				
	Rhyl High School	900	575			
	Ysgol Bro Dyfrdwy - Dee Valley West Review	1,228	100			
	Bodnant Community School	150	145			
	Ysgol Glan Clwyd	20	1,500			
	Estimated Capital Expenditure		11,575	32,636	34,818	23,041
	Total Estimated Payments	6,626	14,365	32,636	34,818	23,041
Approved Capital Funding included in above plan						
	External Funding	1,418	1,600			
	Receipts and Reserves	1,100	1,190			
	Prudential Borrowing	4,108				
	Estimated Capital Funding		4,036	15,904	10,305	12,094
	External Funding		4,036	15,904	10,305	12,094
	Receipts and Reserves		1,854	7,546	6,808	3,692
	Prudential Borrowing		5,685	9,186	17,705	7,255
	Total Estimated Funding	6,626	14,365	32,636	34,818	23,041

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