

CABINET

Minutes of a meeting of the Cabinet held in the Council Chamber, County Hall, Ruthin on Tuesday, 22 October 2019 at 10.00 am.

PRESENT

Councillors Hugh Evans, Leader and Lead Member for the Economy and Corporate Governance; Bobby Feeley, Lead Member for Well-being and Independence; Huw Hilditch-Roberts, Lead Member for Education, Children's Services and Public Engagement; Brian Jones, Lead Member for Waste, Transport and the Environment; Richard Mainon, Lead Member for Corporate Services and Strategic Direction; Tony Thomas, Lead Member for Housing and Communities; Julian Thompson-Hill, Lead Member for Finance, Performance and Strategic Assets, and Mark Young, Lead Member for Planning, Public Protection and Safer Communities

Observers: Councillors Meirick Davies, Alan James, Rhys Thomas, Graham Timms, Huw Williams and Emrys Wynne

ALSO PRESENT

Chief Executive (JG); Corporate Director: Economy and Public Realm (GB) and Communities (NS); Head of Service: Legal, HR and Democratic Services (GW); Lead Officer Strategic Asset Management (TB); Valuations and Estates Manager (GT); Chief Accountant and S.151 Officer (SG); Managing Director Denbighshire Leisure Limited (JG) and Committee Administrator (KEJ)

1 APOLOGIES

There were no apologies.

2 DECLARATION OF INTERESTS

No declaration of interest had been raised.

3 URGENT MATTERS

No urgent matters had been raised.

4 MINUTES

The minutes of the Cabinet meeting held on 24 September 2019 were submitted.

RESOLVED that the minutes of the meeting held on 24 September 2019 be received and confirmed as a correct record.

5 FINANCE REPORT

Councillor Julian Thompson-Hill presented the report detailing the latest financial position and progress against the agreed budget strategy. He provided a summary of the Council's financial position as follows –

- the net revenue budget for 2019/20 was £198.538m (£194.418m in 2018/19)
- an overspend of £1.733m was forecast for service and corporate budgets
- detailed required savings and efficiencies of £5.672m including corporate savings identified in 2018/19 (£0.5m), schools savings of 2% (£1.32m) and service efficiencies and savings (£3.852m)
- highlighted current risks and variances relating to individual service areas including changes following the Senior Leadership Team restructure and the budget impact following the transfer of School Transport from Highways and Environmental Services to Planning and Public Protection, and
- provided a general update on the Capital Plan, Housing Revenue Account and Housing Capital Plan.

Cabinet was also asked to approve the transfer of cash funds from the Savings Achievement Contingency to Leisure Services to offset the need to allocate the Prudential Borrowing savings to the SC2 rather than the delay to setting up the Alternative Delivery Model (ADM).

By way of background Councillor Thompson-Hill advised that the original business case for SC2 had been predicated on a declining subsidy until break-even was reached in year 5. A budget loss of £378k had been shown in the first year with a number of options identified to minimise that loss including to delay Prudential Borrowing – that decision had been taken given that it was a new business venture and the likelihood there would be variances. However following a savings review it was apparent that the total saving of £850k relating to the ADM proposal would not be achieved in full and as a Council it was decided to use the lever of the delay to Prudential Borrowing to enable the ADM saving of £850k to be taken as part of the 2019/20 budget process, thus reducing the need for service cuts elsewhere. Consequently it was proposed that £612k be used from the contingency fund created for unachieved savings to meet the year 1 funding shortfall for SC2. To provide some future assurance for SC2 the service had been clear that the situation would not reoccur in the next financial year given the measures put in place.

Cabinet acknowledged that as a Council they had been made aware of the potential financial risks and variances at the outset for SC2 and had planned mitigation measures in order to address them. Cabinet also commended the facility which provided an exciting and unique attraction and acknowledged the wider benefits to the economy and other local businesses. During the ensuing debate further clarification was sought regarding the reasons for the increase in the budget loss for the first year together with assurances in terms of future years' financial trading figures and ensuring the facility's continued long term success.

Councillor Thompson-Hill responded to the issues raised as follows –

- based on current figures and the amended business case there was confidence that SC2 would be cost neutral by year 5 – as an attraction the facility was already a success: visitor numbers had been high and the facility well received with the pool operating at or near capacity during most of the trading period
- a combination of factors had contributed to the funding shortfall including (1) loss of the Easter trading period for the outdoor Splash Pad and associated projected income (2) Laser TAG having not attracted the numbers predicted but as a result of marketing a growth was predicted going forward, and (3) secondary visitor spend (food/drink, etc.) had not generated as much income as anticipated which was expected to increase through additional marketing
- savings had been made from streamlining the staffing structure and further assurance could be taken that from year 2 the facility would benefit from a full year impact of staff efficiencies and operation of the Splash Pad, and increases in growth with targeted income from Laser TAG and secondary spend; there would also be additional VAT savings for the company which collectively should meet the planned deficit for the second year
- in terms of 2021, savings to the Council would be derived from when the ADM started trading and it was accepted that as a leisure business profits could fluctuate, just as they could if leisure services remained in-house, and if pressures arose they would need to be addressed
- it was confirmed that the Strategic Investment Group would be reviewing the business case for SC2 early in the new year.

In responding to questions from non-Cabinet members Councillor Thompson-Hill –

- referred to the number of options identified to mitigate the shortfall in the trading position of SC2 in year 1. The lever to defer Prudential Borrowing costs could only be used once and the decision had been taken to use it to enable the ADM saving of £850k to be taken as part of the 2019/20 budget and mitigate funding cuts in other services rather than put it aside to cover any potential losses on SC2, the recommendation was to transfer cash funds from the Savings Achievement Contingency for that purpose
- in terms of staff efficiencies the business case had suggested a staffing structure covering numbers and required functions, as the situation developed the management team put in place the most efficient staffing structure to operate the service at the most economic cost which had resulted in savings. The Managing Director Denbighshire Leisure Limited added that some seasonal staff were employed because the facility itself had seasonal trends. However contracted staff were employed who were relocated to other sites when not working at SC2 rather than using casual staff because it was better to invest in the staff that were employed rather than continually appoint new staff each season. Some staff had been lost in terms of the range of staff appointed for various different reasons – however the current operating hours term time were as per the business case.

Councillor Meirick Davies referred to the new building for Ysgol Llanfair and asked whether any action was being taken to recoup costs associated with changes to the foul drainage system as a result of advice received from Welsh Water. Councillors Julian Thompson-Hill and Huw Hilditch-Roberts explained that Welsh Water had advised that the plans were indicative and therefore the Council would be unlikely

to recoup any additional costs incurred as a result. The Leader added that the priority was to complete the work and then revisit the issue and take legal advice.

RESOLVED that Cabinet –

- (a) *note the budgets set for 2019/20 and progress against the agreed budget strategy, and*
- (b) *approve the transfer of cash funds from the Savings Achievement Contingency to Leisure Services to offset the need to allocate the Prudential Borrowing savings to the SC2 rather than the delay to setting up the Alternative Delivery Model.*

6 CABINET FORWARD WORK PROGRAMME

The Cabinet forward work programme was presented for consideration and members noted the following future additions –

- 21st Century Schools Programme: Band B Proposals – November
- Llangollen Business Improvement District (BID) – January

RESOLVED that Cabinet's forward work programme be noted.

EXCLUSION OF PRESS AND PUBLIC

RESOLVED that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting for the following items of business on the grounds that it would involve the likely disclosure of exempt information as defined in Paragraph 14 of Part 4 of Schedule 12A of the Act.

7 BODELWYDDAN CASTLE

Councillor Julian Thompson-Hill presented the confidential report seeking Cabinet's review of the terms for the sale of the premises.

Details of the proposed terms of sale of the freehold interest in Bodelwyddan Castle Hotel and part of the estate together with the retention of other areas for public access were further elaborated upon and discussed at the meeting. The differences to the previous report submitted to Cabinet in September 2018 were highlighted and explained and it was confirmed that the capital receipt to the Council remained the same. An update on negotiations with Bodelwyddan Castle Trust regarding the existing lease was also provided.

Cabinet discussed the report at length with the Lead Member and officers regarding the financial considerations, including how the figures referred to in the report had been derived together with the financial responsibilities and liabilities of the parties involved both under the existing lease and in moving forward with the sale. The management and future ambition for the retained areas by Countryside Services was also discussed which would be subject to funding bids to the Strategic Investment Group. Cabinet noted the merits of the sale in terms of safeguarding

the future of the building and ensuring its future success with benefits to the local economy and tourism together with the retention of areas for public access and opportunities in that regard. Consequently Cabinet supported the report recommendations and it was –

RESOLVED that –

- (a) *the Council sell the freehold interest in the Bodelwyddan Castle Hotel on terms set out in Appendix 1 to the report;*
- (b) *the Council sell the freehold interest in the Castle, the Bodelwyddan Castle Trust premises, (excluding land let on agricultural tenancy, the Lodge and park land) on the terms set out in Appendix 1 to the report;*
- (c) *the Council to keep the grass-crete carpark parkland, together with a 999 year lease of the woodland and the meadow, for public access run by Countryside Services (subject to Strategic Investment Group approving the necessary finance to establish and maintain this Denbighshire County Council retained area);*
- (d) *land currently subject to an agricultural tenancy to be retained and managed together with the Council's other agricultural land and farms, and*
- (e) *the small lodge on the Eastern boundary of the estate to be retained by the Council pending a review of its use.*

The meeting concluded at 11.10 hrs.