

Report to	Cabinet
Date of meeting	21 st January 2020
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Chief Accountant
Title	Finance Report (December 2019/20)

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2019/20. 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 and confirm the agreed service budgets for 2019/20.

3. What are the Recommendations?

3.1 Members note the budgets set for 2019/20 and progress against the agreed strategy.

3.2 Members approve HRA proposal to build Passivhaus homes at Lodge Farm, Denbigh (see Appendices 6, 7 and 8)

3.3 Members approve the proposal to construct a new centre for recycling waste materials, and that £63k is set aside in the Medium Term Financial Plan to pay for the annual prudential borrowing costs. (see Appendices 6 and 9)

3.4 Members approve the proposal to replace the substandard and environmentally inefficient accommodation at Botanical Gardens, Rhyl and that £39k is set aside in the Medium Term Financial Plan to pay for the annual Prudential Borrowing Costs. (see Appendices 6 and 10)

3.5 Members approve to replace £440k of the £616k cash allocation with base budget to help ensure the sustainability of the SC2 provision going forward. (see Section 4)

4. Report details

The report provides a summary of the council's revenue budget for 2019/20 detailed in Appendix 1. The council's net revenue budget is £198.538m (£194.418m in 18/19). The position on service and corporate budgets is a forecast overspend of £2.109m (£1.678m last month). Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

The 2019/20 budget required savings and efficiencies of £5.672m to be identified and agreed as detailed below:

- Corporate savings identified in 2018/19 (£0.5m)
- Schools savings of 2% (£1.32m)
- Service efficiencies and savings (£3.852m)

These were reviewed thoroughly last month and resulted in the approved allocation of £616k from the Savings Achievement Contingency to offset known non-achievement of savings in year. This equates to approximately 11% of the total savings identified and therefore currently assumes that 89% of savings have been achieved. Following further work it is recommended that of the £616k cash allocated, £440k of it is made a permanent base budget adjustment in order to ensure that SC2 is funded appropriately going forward. As stated in previous reports this is broadly in line with the original Business Case for the SC2 and will ensure the sustainability of this key asset. The funding is coming from the Savings Achievement Contingency budget for 2019/20 and has no impact on the budget proposals for 2020/21 also being presented to Cabinet. The core ADM saving is still projected to be delivered next financial year, although the project has experienced additional costs and less VAT savings than initially anticipated, the impact of the company not having a pension deficit to repay from the outset is projected to offset these costs.

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?

Significant service narratives explaining variances and risks are detailed in Appendix 2, however the following should also be noted:

Corporate Budgets – Contingencies set aside during the budget process last year have been released in order to help fund the service overspends. It also includes an underspend relating to the Pensions Deficit. The three year actuarial review has shown that the Clwyd Pension Fund has performed better than projected and therefore £880k has been released in-year rather than transferring to the Pension Reserve. Members should be assured that the £2.6m already in the reserve is sufficient to fund the risk until the next triennial review. There may be further resources available (around Council Tax Yield etc) later in the financial year, however if projections remain the same £2.109m would need to be funded from Base Level Reserves.

Schools - The budget agreed by Council for 2019/20 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of just over £1m. The latest projection for school balances to be carried forward into 2020/21 is a net deficit balance of £1.272m (£1.137m last month), which represents an increase of £1.101m on the deficit balances brought forward from 2019/20 of £0.171m. The figures include the application of a reserve set aside from Corporate underspends last financial year to fund the large deficit balance of Blessed Edward Jones as we, as the Local Education Authority, are legally obliged to do. There is a small underspend in non-delegated budget of £32k.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £305k which is £148k more than the budgeted decrease of £157k. HRA balances are therefore forecast to be £1.379m at the end of the year. The Capital budget of £14.3m is largely allocated between planned improvements to existing housings stock (£5.2m) and new build developments and acquisitions (£8.1m).

Treasury Management – At the end of December, the council's borrowing totalled £238m at an average rate of 4.04%. Investment balances were £10.2m at an average rate of 0.53%.

A summary of the council's **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £36.45m with expenditure to date of £16.89m. Appendix 5 provides an update on the major projects included in the overall Capital Plan. The proposals below have recently been reviewed and recommended for approval by the **Strategic Investment Group**. The proposals are summarised in Appendix 6, and listed briefly below.

1.Passivhaus homes at Lodge Farm, Denbigh - The proposal will involve the construction of 18 no.2 bedroom and 4 no. 4 bedroom semi-detached houses for social rent to Passivhaus standard of energy efficiency, plus access roads. The estimated cost of the scheme is £6.700m, with WG grant funding of £0.850m confirmed, WG grant funding of £0.240m pending and Denbighshire Housing Revenue Account providing £5.610m. The Business Case as presented to SIG is included as Appendix 7 and the Wellbeing Impact Assessment as Appendix 8

2. Central Highways Depot - Construct a new central highway centre for recycling waste materials at the proposed recycling centre at Colomendy Depot, Denbigh which will enable all gully and sweeper waste to be deposited in purpose built bays at a central location in order to comply with the latest legislative requirements. The estimated cost of the proposal is £1.1m. The annual Prudential Borrowing repayments to fund this proposal are £63k p.a. over 25 years. There are no budget savings arising from the service to fund this capital cost. The Business Case as presented to SIG including costings and wellbeing Impact Assessment are included as Appendix 9.

3. Botanical Gardens Accommodation This proposal aims to replace the substandard and environmentally inefficient accommodation at Botanical Gardens through the construction of new purpose built accommodation to meet the needs of the service and to a high environmental standard. The estimated cost of this proposal is £709k. The annual Prudential Borrowing repayments to fund this are £39k p.a. over 25 years. The Business Case as presented to SIG including the wellbeing Impact Assessment are included as Appendix 10.

7. What are the main conclusions of the Well-being Impact Assessment?

Well-being Impact Assessments for the savings included in Appendix 2 and the Council Tax rise was presented to Council on 29 January.

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

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. There were regular budget workshops held with elected members to examine service budgets and consider the budget proposals. All members of staff were kept informed about the

budget setting process and affected staff have been or will be fully consulted, in accordance with the council's HR policies and procedures. Trade Unions have been consulted through Local Joint Consultative Committee.

9. Chief Finance Officer Statement

Specific pressures remain evident in social care budgets (both Adults' and Children's), School Transport and Waste services despite the investment included in the 2019/20 budget. These are base budget and therefore ongoing pressures and these pressures have been reflected in the Budget Proposals for 2020/21.

Forecasts indicate school balances will decrease this financial year, however the position will be kept under close review. Not only are Education Finance working closely with schools to help develop robust plans, but chief and senior officers in Education and Finance meet regularly to review those plans and take remedial action if necessary. We are particularly working closely with a small number of schools who are experiencing particularly difficult circumstances.

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

This remains a challenging financial period 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. The Council's Constitution states that it is the responsibility of Cabinet to approve the calculation of the Council Tax Base.