

|                              |                                  |
|------------------------------|----------------------------------|
| <b>Report to</b>             | Cabinet                          |
| <b>Date of meeting</b>       | 18 <sup>th</sup> February 2020   |
| <b>Lead Member / Officer</b> | Julian Thompson Hill             |
| <b>Report author</b>         | Steve Gadd, Chief Accountant     |
| <b>Title</b>                 | Finance Report (January 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 the revised guidance relating to Business Rate Relief criteria which will then be published on the Council's website and that the transparent scoring matrix is introduced with immediate effect. (see Appendix 6 and Section 6.2)
- 3.3 Members approve the write-off of Business Rates as detailed in Appendix 7 and Section 6.3.

## **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 £1.614m (£2.109m 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 (of which £440k as base budget allocation) 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.

## **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?**

**6.1** 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 £1.614m 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 £1.315m (£1.272m last month), which represents an increase of £1.144m 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 £31k.

**The Housing Revenue Account (HRA).** The latest revenue position assumes a decrease in balances at year end of £333k which is £176k 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 January, the council's borrowing totalled £233m at an average rate of 4.12%. Investment balances were £6m at an average rate of 0.55%.

A summary of the council's **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £35.27m with expenditure to date of £19.32m. Appendix 5 provides an update on the major projects included in the overall Capital Plan.

**6.2** Denbighshire County Council (DCC) is required by legislation to administer and collect Business Rates on behalf of the Welsh Government. Within the legislation are discretionary powers for Local Authorities to remit part or all of the Business Rates through the award of Discretionary Rate Relief. This is applied to give assistance to charitable and non for profit making organisations that may need support in paying their rates, receive Mandatory Relief and are of benefit to the local community, such as Village Halls, Community Centres, Hospices etc. The Guidance was previously reviewed and approved by members in 2013 when substantial changes were made, ensuring the Council Taxpayers money was spent on the most deserving cases, rather than larger National Organisations with substantial reserves and operating surpluses. The revised guidance was published on the council website and provided a helpful and transparent methodology for current and potential applicants to follow. This in turn has been recognised by other Welsh and English authorities, many of which have used some of the principles adopted by DCC. However it is recognised that since 2013 there has been an increase in demand for greater transparency and the decision making process with Discretionary Rate Relief is no exception.

The Guidance retains the elements which work well and it is suggested we introduce two changes. They are as follows:

- a) Introduce the scoring matrix as defined in Appendix 6, which will provide complete transparency and scrutiny.
- b) Adding an affordability clause to the Sports club section which takes into consideration Citizens on low wages, Welfare Benefits etc. This will have no effect on the value of award to organisations where subscription rates are affordable to all, however for those clubs where the subscription rates are higher and do not meet this test relief will be reduced or not awarded.

All other significant elements of the guidance remain unchanged as it meets the needs of our Citizens and provides a fair system. However there are some minor textural changes in respect of authorised officers and the Council's strategic relationship with its Revenues and Benefits provider.

**6.3** Appendix 7 details a total of £57k of unrecoverable Business Rate debt due to two businesses ceasing trading. All efforts have been exhausted to recover these debts and they have already been included in full in the Business Rate Bad Debt Provision. As the Business Rates income is passed over to the National Pool any bad debts are met by the pool, as such there is no cost to DCC.

## **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. Powers relating to Debt Write-offs are contained within Denbighshire's Financial Standing Orders under Section 25.