

Report to	Cabinet
Date of meeting	24 th November 2020
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (October 2020/21)

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2020/21. 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 2020/21.

3. What are the Recommendations?

3.1 Members note the budgets set for 2020/21 and progress against the agreed strategy.

4. Report details

The report provides a summary of the council's revenue budget for 2020/21 detailed in Appendix 1. The council's net revenue budget is £208.302m (£198.538m in 19/20). The position on service and corporate budgets is a forecast overspend of £5.492m (£5.107m last month). This overspend does not assume any 'income loss' grant for Quarter 2 (claim amounts to £3.233m) or any further income claims. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2 which also highlights the gross overspend.

The 2020/21 budget required service savings and efficiencies of £4.448m to be identified and agreed as detailed below:

- Corporate savings identified relating to the triennial actuarial review of the Clwyd Pension Fund (£2m)
- Schools savings of 1% (£0.692m)
- Service efficiencies and savings (£1.756m)

The corporate savings have already been achieved and the schools' savings are delegated to the governing bodies to monitor and deliver. On top of this £1.086m of the service savings had originally been designated as savings that have already been implemented.

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:

Impact of Corona Virus - The current short term strategy of working with Welsh Government has helped secure significant funding that has been detailed in previous reports. A system of monthly expenditure claims and quarterly income loss claims has been established. Due to the recent lockdown the £264m announced in August may not be sufficient but we are working with WLGA and WG to ensure the position is monitored closely.

The table below summarises the position of the expenditure claims for DCC. The 'Holding' column indicates items that WG are requesting further information on:

Month	Original total claim	Disallowed	Previous month adjustment	Holding	Partial payment (50% ICT costs)	Net Claim paid to date
March 2020	£61,701	£0	£0	£0		£61,701
April 2020	£666,927	0	(£8,865)	£0		£658,062
May 2020	£1,200,170	(£22,377)	(£54,538)	(£135,778)		£987,477
June 2020	£1,027,489	(£14,586)	£1,301	(£158,614)	(£14,640)	£840,950
July 2020	£608,569	0		(£248,013)		£360,556
August 2020	£449,370		£433,376			£882,746
September 2020	£753,407					£753,407
Submitted to date	£4,767,633	(£36,963)	£371,274	(£542,405)	(£14,640)	£4,544,899
Grand Total	£4,767,633	(£36,963)	£371,274	(£542,405)	(£14,640)	£4,544,899

The table below summarises the position relating to the quarterly income loss claims. Quarter 2 has yet to go through the Panel and moderating process set up by Welsh Government:

Quarter	Original total claim	Disallowed (Cefndy)	Holding (Education)	Disallowed (HRA)	Holding 50% of Planning etc	Adjusted Net Claim	Paid by WG
Loss of income Qtr 1	£4,007,786	(£74,999)	(£523,270)	(£131,960)	(£86,050)	£3,191,507	(£3,191,507)
Loss of income Qtr 2	£3,232,679					£3,232,679	£0
Grand Total	£7,240,465	(£74,999)	(£523,270)	(£131,960)	(£86,050)	£6,424,186	(£3,191,507)

The tables above illustrate that so far Welsh Government have paid £7.736m and we have an outstanding claim of £3.232 for income.

Leisure ADM – This budget line holds the residual budgets associated with Leisure including the management fee that pays for the services that would be provided in a normal year. Denbighshire Leisure Limited (DLL) is reporting monthly to the Contract Management Board on the rapidly changing financial position in this area. The Council is claiming loss of income funding from Welsh Government on behalf of DLL.

Corporate Budgets – Although currently showing a nil variance it is likely that all discretionary spend and contingencies will be released in order to help fund the position. As reported last month £410k of contingency budget has been allocated to services to pay

for the recent pay settlement. However risks remain around the Council Tax Yield and the Council Tax Reduction Scheme which is likely to wipe out the remaining contingency. Un-earmarked General Balances of £7.135m were carried forward into 2020/21, with prudent minimum level of £5m or 2% of Net Revenue Budget (£4.2m) whichever is the highest. This may need to be reviewed as the impact of the pandemic continues to be felt.

Schools - The budget agreed by Council for 2020/21 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of just over £2.9m. The latest projection for school balances to be carried forward into 2021/22 is a net deficit balance of £1.918m, which represents an increase of £0.530m on the deficit balances brought forward into 2020/21 of £1.388m.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £1,066k which is £853k more than the budgeted decrease of £213k due to the revised plan to increase the revenue contribution to capital. HRA balances are therefore forecast to be £1.600m at the end of the year. The Capital budget of £19.2m is largely allocated between planned improvements to existing housings stock (£5.3m) and new build developments and acquisitions (£13.8m).

Treasury Management – At the end of October, the council's borrowing totalled £243.5m at an average rate of 3.91%. Investment balances were £19.3m at an average rate of 0.01%.

A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £50.89m with expenditure to date of £17.91m. Appendix 4 provides an update on the major projects included in the overall Capital Plan.

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

A Well-being Impact Assessments for the Council Tax rise was presented to Council on 21 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. The School Budget Forum have been included in the proposals through-out the year. Trade Unions have been consulted through Local Joint Consultative Committee. This year also saw an engagement exercise with the public using social media, the experience of which will be built on in future years.

9. Chief Finance Officer Statement

Obviously the core focus at the moment is the financial response and recovery in recovery in relation to the Covid 19 pandemic. Although the pressures are very large the Council enters this period with the following advantages:

- A strong track record of financial management in response to over 10 years of real terms budget reductions. The systems and processes in place should help DCC in its response.
- The Council has relatively healthy financial reserves and balances of the Council.
- The Settlement and Budget set for 2020/21 allowed the Council to address a number of pressures in Social Care, Waste services, School Transport, Education and Schools. This does not mean that there are no ongoing business as usual pressures, however it does mean that we are in a better position than previous years.

The regular Finance Cabinet Report will keep members up to date and regular updates will continue to be provided to informal Cabinet.

Risk areas remain evident in social care budgets (both Adults' and Children's), School Transport and Waste services despite the investment included in the 2020/21 budget (totalling £6.1m). These areas will continue to be monitored closely throughout the year.

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

This is obviously the most challenging financial period DCC has faced. The Financial Strategy agreed by Cabinet in May aims to mitigate the following key risks:

- Failure to have a robust funding strategy could impact on the financial stability and sustainability of the Council.
- Impact on ability for the Council to deliver core services.
- Impact on capacity of the Council to achieve its priorities.

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.