

Report to	Cabinet
Date of meeting	15 th December 2020
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (November 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.

3.2 Members approve the recommended use of the Schools Maintenance Grant which has been awarded to the Council by the Welsh Government, as recommended by the Strategic Investment Group and detailed in this report and Appendices 5, 6 and 7.

3.3 Members approve the recommended use of Welsh Government indicative grant allocation awarded to the Council for damage to highways assets as recommended by the Strategic Investment Group and detailed in this report and Appendixes 8, 9 and 10.

3.4 Members approve the recommended use of the Childcare Capital Grant which has been awarded to the Council by the Welsh Government, as recommended by the Strategic Investment Group and detailed in this report and Appendices 11 and 12.

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 £2.476m (£5.492m last month). This overspend now includes £2.7m paid in respect of the 'income loss' grant for Quarter 2 (full claim amounted to £3.233m). 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	FSM adjustment	Holding	Net Claim paid to date
March 2020	£61,701	£0	£0		£61,701
April 2020	£666,927	(£8,865)	£0		£658,062
May 2020	£1,200,170	(£21,076)	(£190,316)		£988,778
June 2020	£1,027,489	(£29,226)	(£158,614)		£839,649
July 2020	£608,569	0	(£248,013)		£360,556
August 2020	£449,370		£433,376		£882,746
September 2020	£753,407	(£33,248)		(£112,436)	£607,723
October 2020	£808,964	(£27,234)		(£236,403)	£545,327
Submitted to date	£5,576,597	(£119,649)	(£163,567)	(£348,839)	£4,944,542
Grand Total	£5,576,597	(£119,649)	(£163,567)	(£348,839)	£4,944,542

The table below summarises the position relating to the quarterly income loss claims:

Quarter	Original total claim	Disallowed	Holding	Paid by WG
Loss of income Qtr 1	£4,007,786	(£567,923)	(£122,240)	(£3,317,623)
Loss of income Qtr 2	£3,232,679	(£74,999)	(£453,378)	(£2,704,302)
Grand Total	£7,240,465	(£642,922)	(£575,618)	(£6,021,925)

The tables above illustrate that so far Welsh Government have paid a total of £10.967m.

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 £1.455m, which represents an increase of £0.067m on the deficit balances brought forward into 2020/21 of £1.388m. The improved position relates to the confirmation of the WG Grant to pay for the additional Teachers pay increase that was over and above the WG assumptions in the settlement for 20/21. Additional confirmation about what is claimable from WG for Covid related costs have also helped the position.

The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £1,072k which is £859k 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). The pandemic has had an impact on delivering a number of these schemes and it is expected that £3.3m will be carried forward into next financial year in order to complete the programme of work next financial year.

Treasury Management – At the end of November, the council's borrowing totalled £242.171m at an average rate of 3.89%. Investment balances were £14.2m at an average rate of 0.002%.

A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £48.54m with expenditure to date of £20.59m. Appendix 4 provides an update on the major projects included in the overall Capital Plan. The Strategic Investment Group recently reviewed the following business cases which are recommended for approval by Cabinet.

School Maintenance Grant: The grant totals £1.487m and aims to address backlog capital maintenance in schools. Officers from the Education Service and Property Service have agreed a list of priorities. It is proposed no funding is allocated to schools within the 21st Century Band A programme or schools likely to benefit under Band B. The Business Case is included as Appendix 5, the detailed list as Appendix 6 and the Wellbeing Impact Assessment presented to the Strategic Investment Group as Appendix 7.

Recovery from February Floods: Following the storms during February and March 2020, the Welsh Government informed local authorities that they would make funding available for damage caused as a result of the weather and invited the Council to submit a list of schemes with estimates. The Council subsequently received an indicative allocation of £1.311m. Whilst the arrival of Covid 19 hampered the full assessment of works needed and grant application process, the Council has been able to commence some remedial works using its own capital funding. The Welsh Government have requested an update on progress and it is hoped a formal grant award will follow. The Business Case is included as Appendix 8, the detailed list as Appendix 9 and the Wellbeing Impact Assessment presented to the Strategic Investment Group as Appendix 10.

Childcare Capital Grant: The Welsh Government has committed to providing 30 hours of government funded early education and childcare to all three and four year olds of eligible working parents, and has made capital funding available. There are three projects currently proposed:

- To relocate 2 Cylch groups from unsuitable buildings and amalgamate into one provision at Ysgol Dewi Sant, Rhyl – latest estimate £1.177m
- To relocate Cylch Bodawen from current site to Ysgol Twm o'r Nant, Denbigh - latest estimate £878k
- Expansion of 'Little Acorns' at the Oaktree Integrated Children's Centre, Rhyl – latest estimate £1.287m

The original business case submitted to Welsh Government did not allow for detailed feasibility works to be undertaken due to the tight timescales imposed by Welsh

Government. Subsequent work has identified estimated costs to have increased by £1.012m for the three schemes above with reasons highlighted in the business case (Appendix 11). The original business case to Welsh Government included new childcare provision at Ysgol Bryn Collen, Llangollen with a cost estimate of £407k. However, following a review of childcare supply within the South of the County, there has shown to be more than sufficient out of school provision available and it is therefore proposed to pause this proposal. In addition, the construction of the Welsh Language Centre at Ysgol Glan Clwyd site, St Asaph was completed with a saving of £713k on the Welsh Medium Development Grant awarded by the Welsh Government.

A request was made by the Council to Welsh Government for agreement to utilise the grant originally earmarked for Ysgol Bryn Collen and the underspend of grant on the Welsh Language Centre to meet the forecast overspend of £1.012m on the three Childcare projects within this proposal. Welsh Government have now formally agreed the virement request and this allows for the construction of Childcare projects in Denbigh and Rhyl as above to be constructed and funded with 100% Welsh Government Grant Funding. The Business Case is included as Appendix 11 and the Wellbeing Impact Assessment presented to the Strategic Investment Group as Appendix 12.

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

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.