

Report to	Cabinet
Date of meeting	27 th April 2021
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (March 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 establishment of a specific reserve with the transfer of £200k to help fund work over the coming summer as part of the Destination Management Plan.
(See Section 6.3)

3.3 Members approve the establishment of a specific reserve with the transfer of £59k to help fund up front project costs relating to the New Ways of Working Project. (See Section 6.4)

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 underspend of £2.318m (underspend of £0.718m last month). It should be noted that this report is being produced during closedown of the 2020/21 accounts, which is the priority for Finance during April and figures may change between now and Final Outturn. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

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:

6.1 Impact of Corona Virus - The strategy of working in partnership 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. Further recent funding announcements should ensure that Covid pressures in 2020/21 are covered, while also indicating that funding will continue to be available, if required, at least for the first 6 months of next year.

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	Agreed adjusted total claim	Disallowed	FSM adjustment	Holding	Pending	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)				£720,159
October 2020	£616,750	(£51,638)				£565,112
November 2020	£820,502	(£6,300)				£814,202
December 2020	£522,421			(£42,666)		£479,755
January 2021	£1,093,644	(£24,856)		(£19,108)		£1,049,680
Submitted to date	£7,820,950	(£175,209)	(£163,567)	(£61,774)	£0	£7,420,400
February 2021	£592,447				(£592,447)	
Grand Total	£8,413,397	(£175,209)	(£163,567)	(£61,774)	(£592,447)	£7,420,400

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

Quarter	Agreed adjusted total claim	Disallowed	Holding	Paid by WG
Loss of income Qtr 1	£3,560,772	(£206,959)	(£36,190)	£3,317,623
Loss of income Qtr 2	£2,930,645	(£74,999)		£2,855,646
Loss of income Qtr 3	£2,114,938			£2,114,938
Loss of income Qtr 4	£2,916,704			£2,916,704
Grand Total	£11,523,059	(£281,958)	(£36,190)	£11,204,911

The tables above illustrate that so far Welsh Government have paid a total of £18.625m. If the February's claim is paid in full this would rise to £19.217m. The deadline for the March claim has been extended to May to account for year-end transactions.

6.2 Corporate Budgets – This is now showing an underspend of £1.999m (£1.867m last month). As reported in previous months WG funding has been confirmed to offset the full year impact of Covid on the Council Tax Yield and the Council Tax Reduction Scheme

which has allowed for the release of the remaining contingency to help offset service overspends. However, the majority of the underspend relates to a new allocation of funding (£1.663m) received from Welsh Government which recognises the pressures of reacting to Covid on the Council as a whole. The funding has been allocated on the same formula as used to allocate the Revenue Support Grant, and similar to that grant, the funding is 'unhypothicated'. This means that the Council can make local decisions about the use of the funding. It is hoped that the funding can be applied in year to help cover any overspends not directly covered by other WG Covid Grants. It is recommended that any overall underspend by the Council, taking into account service requests to carry forward specific service underspends, is placed in the Budget Mitigation Reserve to help the continued response to Covid and the budget process for 2022/23.

6.3 Destination Management Plan – An operational plan has been developed and agreed by CET which focuses on the Council's key role in supporting the tourism industry to re-establish itself. It focuses most urgently on what is required next financial year (2021/22) to ensure that the predicted surge of visitors have a good experience in Denbighshire and will return in future years, after current severe travel restrictions are lifted. Welsh Government has offered financial support to Councils to manage the re-opening of the Visitor Economy throughout the 2021 season. The financial support will be provided from the Hardship Fund and be paid using the standard procedures developed for the Fund. It is therefore hoped that the majority of the funding required will be able to be claimed from that funding source, however in order to ensure that the all costs are covered it is recommended that £200k of the Corporate Underspend is placed in a specific reserve in order to provide assurance to services that this programme will be fully funded.

6.4 New Ways of Working – Net savings of £59k were identified during the year in order to help fund any initial costs around the NWOW project. The project is ongoing and it is expected that some up front expenditure may still be required. It is therefore recommended that £59k is placed in a specific reserve for this project. Any funds left upon completion of the project will transfer to the budget mitigation reserve.

6.5 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 credit balance of £0.578m, which represents a movement of £1.966m on the deficit balances brought forward into 2020/21 of £1.388m. The recent

announcement around catch-up funding (£1.1m) is not reflected in these figures which are therefore likely to improve further by year-end. There is a small overspend of £28k on non-delegated budgets.

6.6 The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £931k which is £718k 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 £1.736m 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 £6.1m will be carried forward into next financial year in order to complete the programme of work next financial year.

6.7 Treasury Management – At the end of March, the council’s borrowing totalled £235m at an average rate of 3.95%. Investment balances were £17.8m at an average rate of 0.003%.

6.8 A summary of the council’s **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £38.78m with expenditure to date of £35.52m. 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

It is welcome that the Covid Financial Recovery Strategy approved by Cabinet in May 2020 has provided a robust plan for the Council's response. It is likely that by the end of the financial year financial help received from WG will exceed £20m which is a testament to the value of partnership working between Local Authorities and WG. It also means that the Council is in a healthy position to face the financial challenges that undoubtedly lie ahead.

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 aimed 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.