

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 19 FEBRUARY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **REVENUE BUDGET MONITORING 2012/13 (MONTH 8)**

1.00 PURPOSE OF REPORT

1.01 To provide members with the most up to date revenue budget monitoring information (Month 8) for the Council Fund and the Housing Revenue Account in 2012/13.

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2.00 EXECUTIVE SUMMARY

2.01 Members are requested to note the projected year end position as estimated at Month 8 which is :

- Council Fund - Net underspend of £0.611m (£0.516m overspend at Month 7)
- Housing Revenue Account - Net underspend of £0.401m (£0.401m underspend at Month 7)

3.00 CONSIDERATIONS

COUNCIL FUND

3.01 The table below shows a projected in-year underspend of £0.611m :-

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend		Non Ring-fenced		Ring-fenced	
			Month 7	Month 8	Month 7	Month 8	Month 7	Month 8
	£m	£m	£m	£m	£m	£m	£m	£m
Directorates								
Community Services	58.437	58.380	(0.424)	(1.154)	(0.130)	(0.312)	(0.294)	(0.842)
Environment	31.794	32.481	(0.121)	(0.089)	(0.121)	(0.089)	-	-
Lifelong Learning	109.219	109.946	0.822	0.640	1.128	1.182	(0.306)	(0.542)
Corporate Services	17.469	17.645	0.370	0.324	0.370	0.324	-	-
Total Directorates	216.919	218.452	0.647	(0.279)	1.247	1.105	(0.600)	(1.384)
Central and Corporate Finance	25.759	24.226	(0.131)	(0.332)	(0.131)	(0.332)	-	-
Total	242.678	242.678	0.516	(0.611)	1.116	0.773	(0.600)	(1.384)

3.02 The Original Budget column reflects the budget approved by Council on the 1st March 2012. The Revised Budget column reflects in-year virements which have been approved in compliance with Financial Procedure Rules.

3.03 The significant in-year projected variances to date are detailed in Appendices 2 - 6 (Council Fund) and Appendix 8 (HRA), and in addition to giving the reasons for the variances, the actions required to address each variance is provided. The significant changes for the Council Fund from Month 7 are detailed in Appendix 1.

3.04 In line with the management commitment to reduce the projected in-year overspend there has been progressive improvement in the projected outturn position since a projected overspend of £1.053m was reported to Cabinet on 18th September 2012 within the Month 3 budget monitoring report.

3.05 The current projection reflects a significant improvement of £1.127m on the position reflected in the Month 7 budget monitoring report to Cabinet on 22nd January 2013. The main reasons for this improvement are a significant increase of £0.754m in the underspend on out of county placements, and an increased underspend of £0.197m on the Central Loans and Investment Account (CLIA) within Central & Corporate Finance. These are both areas which have been recognised in previous budget monitoring reports as being volatile, however we are now at a point in the year where we can be more certain about budgetary impacts for the current financial year and also looking ahead to 2013/14.

3.06 The significant improvement in the out of county placements underspend reflects the overall impact of a number of factors. These include smarter procurement from the continued involvement of Commercial and Clinical solutions, and reduced numbers of placements which has been influenced by

the development of in-county provision from foster care and within special schools.

- 3.07 The improved position on the CLIA is also influenced by a number of factors including the timing of specific commitments and their influences on borrowing activity and costs, and changes to previous assumptions in respect of possible interest rate increases. The latest review of the account also indicates that there are no emerging pressures anticipated for 2013/14.
- 3.08 There is a significant potential pressure arising from the trigger of the Municipal Mutual Insurance (MMI) scheme of arrangement. A report setting out the background and implications for the Council is included on this agenda. There is a potential financial implication for the Council within the range £0.531m to £0.884m, for which provision will need to be made within the 2012/13 accounts. It is proposed that the impact of this will be reflected in the Month 9 budget monitoring report following Members consideration of the issues.

RISKS / ASSUMPTIONS

- 3.09 The in-year over / (under) spends shown in the table at paragraph 3.01 reflect the following risks and assumptions :-

1. Community Services

- Social Services for Adults
 - Occupational Therapy service - increased demand
- Social Services for Children
 - Out of county placements - demand led with volatility influenced by numbers and high values of individual placements, however current procurement practices and existing facilities within the county are positively influencing costs and numbers of placements respectively
 - Family Placement - increases in foster care places / court orders for Residence and Specific Guardianship
- Housing Services
 - Homelessness - projected high demand influenced by current economic climate and recent welfare reform

2. Environment

- Planning
 - A number of planning decisions are the subject of ongoing appeals which may have the potential for costs to be awarded against the Council

3. Lifelong Learning

- Facilities
 - Catering - overspend projected but possible mitigation from project plans following APSE review
- Development & Resources
 - Free school meals & remissions - influenced by economic factors

- Ringfenced budgets
 - Out of county placements - demand led with volatility influenced by numbers and high values of individual placements, however current procurement practices and existing facilities within the county are positively influencing costs and numbers of placements respectively
- Leisure Income
 - Income levels for the new leisure facilities are being monitored carefully on a weekly basis. Any variation, either positive or negative, could have a material effect on the projected outturn.

4. Corporate Services

- Welfare Reform
 - The Welfare Reform changes have the ability to influence a number of budgets across the Council and this is being kept under review
- Municipal Mutual Insurance Ltd (MMI)
 - A contingent liability was recorded in the 2011/12 Statement of Accounts which recognised a possible future requirement to provide for Flintshire County Council's share of liability relating to a scheme of arrangement set up in 1992 (see paragraph 3.08 above)
- Outcome Agreement Grant
 - The current projections assume that the Council will receive the full amount of Outcome Agreement Grant included within the budget for 2012/13 (£1.475m). WG assessment has now been completed. The Minister is to be advised by civil servants that the Council has met the threshold to qualify for the grant in full, and confirmation of the final grant amount is expected in mid February

3.10 REQUEST FOR CARRY FORWARD - COMMUNITY SERVICES

Housing Services (Homelessness) - Previous consideration has been made of the need for additional temporary staff to help cope with the impacts of Welfare Reform. It is requested to carry forward to 2013/14 the sum of £0.100m from the projected underspend on the Homelessness budget to fund the costs of two additional temporary posts within the Homelessness service. The posts will help to relieve pressure on the existing staff in dealing with impacts of Welfare Reform and are currently being recruited to for a period which will now cover parts of the current and forthcoming financial years.

3.11 REQUEST FOR CARRY FORWARD - CORPORATE SERVICES

ICT & Customer Services - due to a delay in acquiring the Event & Log Management software, it is requested to carry forward the sum of £0.046m to 2013/14. Event & Log Management Software collates information from various aspects of the infrastructure, particularly in relation to potential security breaches. This software will address an area which has been recognised as a security weakness and which needs to be done for regulatory compliance under the Council's Code of Connection agreement. It is expected that this sum will be spent during the first quarter of 2013/14.

3.12 **REQUEST FOR CARRY FORWARD - CORPORATE SERVICES**

ICT & Customer Services - due to milestones not yet being achieved in respect of the Civica Electronic Document and Record Management System (EDRMS) contract, the remaining 20 % of the contract sum is not expected to be paid in the current year. It is therefore requested to carry forward a total of £0.046m to 2013/14 when it is expected the remaining milestones will be met and the contract will be completed.

3.13 **REQUEST FOR CARRY FORWARD - CORPORATE SERVICES**

ICT & Customer Services - due to an ongoing delay in the Public Sector Broadband Aggregation (PSBA) project which will be of particular benefit to Flintshire schools, it is requested to carry forward to 2013/14 the sum of £0.359m. This is to ensure that the benefits from advances in broadband technologies are maximised.

4.00 **NON STANDARD INFLATION**

4.01 Included in the budget are amounts for non-standard inflation. These budgets are being monitored closely and the current position for each element is outlined below:

- £0.078m in respect of Energy for Street Lighting - this budget is still held centrally and is expected to be allocated in full to the service budget prior to the reporting of budget monitoring for Month 9.
- £0.300m in respect of Energy - most of this budget has now been allocated to services, the remaining £0.060m is currently being reviewed and will be reported on for Month 9.
- £0.196m in respect of Fuel - it has been confirmed that the full amount will be required and the allocation of this budget is reflected in this report.
- £0.133m in respect of Food - it has been confirmed that the full amount will be required and the allocation of this budget is reflected in this report.

5.00 **UNEARMARKED RESERVES**

5.01 The 2011/12 final outturn reported to Cabinet on 10th July showed unearmarked reserves at 31st March 2012 (above the base level of £5.476m) of £0.992m, after taking into account commitments in 2012/13 :

- Use of £0.973m to meet one-off / time limited costs
- Ringfencing of £1.500m to support Organisational Change costs

5.02 Appendix 7 details the movements to date on unearmarked reserves and the level of contingency sum available. As a result of the movements the current projected level of the contingency reserve at the end of March 2013 is an amount of £1.267m.

6.00 HOUSING REVENUE ACCOUNT

- 6.01 On 21st February 2012, the Council approved a Housing Revenue Account (HRA) budget for 2012/13 of £26.671m. The budget provided for a closing balance of £0.867m, which at 3.25 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.
- 6.02 The 2011/12 final outturn reported to Cabinet on 10th July 2012 showed a closing balance at the end of 2011/12 of £1.857m (subject to audit) which was £0.753m more than when the 2012/13 budget was set. This had the effect of increasing the closing balance for 2011/12 by the same amount.
- 6.03 There is an overall projected underspend of £0.401m and a projected closing balance at Month 8 of £1.471m, which at 5.4 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.
- 6.04 Appendix 8 details the reasons for significant variances occurring to date and the actions planned to deal with them.

7.00 RECOMMENDATIONS

- 7.01 Members are recommended to :-
- a) Note the overall report
 - b) Note the Council Fund contingency sum as at 31st March 2013 (paragraph 5.02)
 - c) Note the projected final level of balances on the Housing Revenue Account (paragraph 6.03)
 - d) Approve that the financial impact of the triggering of the MMI Scheme of Arrangement be reflected in future budget monitoring reports from Month 9 (paragraph 3.08)
 - e) Approve the requests for carry forward of underspends to 2013/14 as detailed within paragraphs 3.10 to 3.13

8.00 FINANCIAL IMPLICATIONS

- 8.01 The financial implications are as set out in Sections 3.00 - 6.00 of the report.

9.00 ANTI POVERTY IMPACT

- 9.01 None.

10.00 ENVIRONMENTAL IMPACT

- 10.01 None.

11.00 EQUALITIES IMPACT

11.01 None.

12.00 PERSONNEL IMPLICATIONS

12.01 None.

13.00 CONSULTATION REQUIRED

13.01 None.

14.00 CONSULTATION UNDERTAKEN

14.01 None.

15.00 APPENDICES

15.01 Council Fund - Movement in Variances from Month 7 - Appendix 1
Council Fund Variances - Appendices 2 - 6
Council Fund - Movements on unearmarked reserves - Appendix 7
Housing Revenue Account Variances - Appendix 8

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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