

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CABINET**

**DATE:** **TUESDAY, 10 JULY 2012**

**REPORT BY:** **HEAD OF FINANCE**

**SUBJECT:** **REVENUE BUDGET MONITORING 2011/12**  
**(OUTTURN)**

### **1.00 PURPOSE OF REPORT**

1.01 To inform members of the Council Fund and the Housing Revenue Account Outturn for 2011/12 (subject to audit) and the impact on the respective level of reserves as at 31<sup>st</sup> March 2012. The figures are included in the Draft Statement of Accounts 2011/12 which will be reported to Audit Committee on 17<sup>th</sup> July.

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### **2.00 BACKGROUND**

2.01 Members are requested to note the final outturn as detailed below:

- Council Fund – Net underspend of £2.835 (Underspend of £2.266m at Month 11)
- Housing Revenue Account – Net underspend of £0.737m (Underspend of £0.497m at Month 11)

### 3.00 **CONSIDERATIONS**

- 3.01 The last report to Cabinet on 12 June detailed the position at month 11. Therefore the table below compares the final outturn position to month 11.

#### **COUNCIL FUND**

- 3.02 The table below shows a final outturn in-year underspend of £2.835m.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend		Non Ring-fenced		Ring-fenced	
			Month 11	Final Outturn	Month 11	Final Outturn	Month 11	Final Outturn
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Directorates</b>								
Community Services	57.374	57.220	(1.932)	(1.917)	(1.279)	(1.264)	(0.653)	(0.653)
Environment	32.262	31.811	(0.118)	(0.130)	(0.118)	(0.130)	-	-
Lifelong Learning	109.110	110.696	1.341	1.325	1.812	1.796	(0.471)	(0.471)
Corporate Services	16.436	18.486	(0.569)	(0.565)	(0.569)	(0.565)		
<b>Total Directorates</b>	<b>215.182</b>	<b>218.213</b>	<b>(1.278)</b>	<b>(1.287)</b>	<b>(0.154)</b>	<b>(0.163)</b>	<b>(1.124)</b>	<b>(1.124)</b>
Central and Corporate Finance	26.190	23.159	(0.988)	(1.548)	(0.988)	(1.548)		
<b>Total</b>	<b>241.372</b>	<b>241.372</b>	<b>(2.266)</b>	<b>(2.835)</b>	<b>(1.142)</b>	<b>(1.711)</b>	<b>(1.124)</b>	<b>(1.124)</b>

- 3.03 The Original Budget column reflects the budget approved by Council on 1<sup>st</sup> March 2011. The Revised Budget column reflects in-year virements which have been approved in compliance with Financial Procedure Rules, and includes a number of technical adjustments such as the allocations from central contingencies, non-standard inflation, single status project costs, and the contributions to the cost of employment efficiency being moved from Corporate Services to Central and Corporate Finance.
- 3.04 The significant in-year variances at final outturn are detailed in Appendices 2-6 (Council Fund), and Appendix 8 (HRA). The significant changes for the Council Fund from Month 11 are detailed in Appendix 1.
- 3.05 The underspend of £2.835m is made up of a £1.287m underspend on services, increased by a £1.548m underspend from Central and Corporate Finance. The underspend represents 1.2% of the Council's Net Budget and shows that the Council has kept expenditure within its means whilst still meeting priorities and performance standards. The main reason for the movement from Month 11 relates to the reviewed accounting treatment for the impairment of Landsbanki investments. This followed the issuing of revised guidance on 1<sup>st</sup> June 2012 which reduced the impairment charges by £0.361m.

#### **PROGRAMME OF EFFICIENCIES**

- 3.06 The 2011/12 budget contained £8.920m of specific efficiencies. This was an ambitious target and as such the level of achievement has been monitored regularly throughout the year. The Month 11 Report stated that this report would provide an analysis of the final position on the 2011/12 programme of efficiencies. This analysis (summarised in the table below) indicates that £7.897m (88.5 %) of the efficiencies included in the 11/12 budget have been

achieved, resulting in a net under-achievement of £1.023m. This good level of achievement is broadly consistent with the projected figures throughout the year. It is important to note that the impact of this analysis is already accounted for in the overall final outturn figures.

Status of Efficiency	Value of Budgeted Efficiency £m	Value of Projected Efficiency £m	(Under) Over Achievement £m
ALREADY ACHIEVED	5.500	6.005	0.505
ACHIEVEABLE IN PART	3.022	1.892	(1.130)
NOT ACHIEVEABLE	0.398	0.000	(0.398)
<b>Total</b>	<b>8.920</b>	<b>7.897</b>	<b>(1.023)</b>

3.07 Appendix 9 provides further details for each Directorate.

### **BRIEF OVERVIEW OF THE YEAR**

3.08 The 2010/11 Outturn report to Executive in July advised that the final level of unearmarked reserves was £1.808m more than the £0.291m anticipated when the 2011/12 budget was set. The 2011/12 budget was funded by a temporary use of reserves of £1.613m and this was repaid early from these additional resources.

3.09 The projected outturn was relatively consistent through months 3 – 6 ranging from a projected overspend of £0.233m to £0.320m. During the latter part of 2011, attention focussed on ensuring a balanced 2012/13 budget, both in terms of the recurring base budget and the identification of one-off funding made available through an increased contingency reserve.

3.10 Management actions were put in place to review spending commitments with a view to eliminating the 2011/12 projected overspend and also to identify areas that could contribute to the 2012/13 budget on a recurring and one-off basis.

3.11 The financial projection significantly improved over the subsequent months and resulted in the final outturn position detailed in this report. This was due to a number of factors including:

- Vacancy savings relating to service reviews, such as Transforming Social Services for Adults, in preparation for implementation during 2012/13
- Out of County placements underspent by £0.922m (compared to an overspend of £1.015m in 2010/11) due partly to the work of the task and finish group and their regional partners
- Increased income from investments (£0.208m)
- Greater than anticipated refunds of VAT following House of Lords decision (Fleming and Conde Nast Publications Ltd) were received

totalling £0.685m

- The one-day of industrial action resulted in a reduction in staffing costs of £0.240m
- A review of centrally held contingencies relating to superannuation costs resulted in a saving of £0.487m
- A late notification of a change in accounting for impairment of Landsbanki investments resulted in a benefit to the council of £0.361m

3.12 The increase in the unearmarked reserves towards the end of the financial year has enabled the Council to set aside funding of £0.973m for one-off pressures in the 2012/13 budget and create a ringfenced reserve of £1.500m for investment in organisational change.

#### **4.00 NON STANDARD INFLATION / CENTRAL CONTINGENCIES**

##### **NON STANDARD INFLATION**

4.01 The 2011/12 budget included £0.547m for items where costs were likely to increase by more than the standard rate of inflation. During the year these amounts have been held centrally until the additional requirement could be demonstrated. The final position in relation to these items is detailed below:-

- Fuel costs (£0.060m) – allocated in full.
- Street lighting energy (£0.037m) – allocated in full
- Energy costs (£0.450m) – an amount of £0.367m has been allocated. The remaining (£0.083m) was not required and forms part of the underspend within central and corporate.

##### **CENTRAL CONTINGENCIES**

4.02 The budget for 2011/12 included base budget provision of £0.337m in respect of increased employers pension contribution and £0.150m relating to the review of relief staff. As previously reported these amounts are no longer required and are shown as an underspend within central and corporate.

4.03 A further one-off contingency of £2.159m was also included in the 2011/12 budget relating to one-off exit costs associated with service modernisation. An amount of £1.344m of this allocation was spent in 2011/12 with the remaining £0.815m being carried forward into 2012/13 in line with the timing of the completion of the relevant service reviews.

#### **5.00 UNEARMARKED RESERVES**

5.01 The 2010/11 final outturn reported to Executive on 19<sup>th</sup> July showed unearmarked reserves at 31<sup>st</sup> March 2011 (above the base level of £5.476m) of £2.099m.

5.02 Appendix 7 details the movements during 2011/12 on unearmarked reserves and the level of contingency sum available. As a result of these movements

the final level of Contingency Reserve is £0.992m (above the base level of £5.476m). This takes into account the following commitments in 2012/13 as agreed in previous monitoring reports:

- The use of £0.973m to meet one-off / timelimited costs in 2012/13 (approved in the 2012/13 budget report)
- The ringfencing of £1.500m to support Organisational Change costs in 2012/13 (approved in the Month 11 monitoring report).

5.03 The remaining Contingency Reserve of £0.992m is £0.578m more than the £0.414m estimated when the 2012/13 Council Fund revenue budget was approved by County Council at the meeting on 1<sup>st</sup> March 2012.

### **SERVICE BALANCES**

5.04 Service balances are made up of those balances held by departments which have previously been agreed can be carried forward. The Final Balances for these items are summarised below:-

	<b>Estimated Balance as per Budget report 01/04/12 £m</b>	<b>Actual Balance as per Final Outturn 01/04/12 £m</b>
Community Services	0.506	0.352
Environment	0.779	1.654
Lifelong Learning	0.050	0.043
Corporate Services	0.500	1.143
	1.835	3.192

### **6.00 HOUSING REVENUE ACCOUNT**

6.01 On 15<sup>th</sup> February 2011, the Council approved a Housing Revenue Account (HRA) budget for 2011/12 of £25.262m. The budget provides for a closing balance of £0.885m, which at 3.5% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.

6.02 The 2010/11 final outturn reported to Executive on 19<sup>th</sup> July 2011 showed a closing balance at the end of 2010/11 of £1.487m which was £0.236m higher than when the 2011/12 budget was set. This had the effect of increasing the opening balance for 2011/12 by the same amount.

6.03 The final outturn for 2011/12 is an underspend of £0.737m, which represents an increase of £0.240m on the projected position reported at Month 11. The HRA shows a final closing balance of £1.857m which at 7.35% of the total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. The final year end balance (subject to audit) is £0.753m greater than the £1.104m that was projected when the 2012/13 HRA budget was approved at

the Council meeting on 21<sup>st</sup> February 2012.

6.04 Appendix 8 details the reasons for significant variances to budget for the year.

#### **BRIEF OVERVIEW OF THE YEAR**

6.05 The 2011/12 HRA budget provided for a total revenue contribution of £3.235m towards the funding of capital expenditure (CERA). During the year the following increases were approved to meet increased revenue expenditure on vacant properties:

- An amount of £0.450m was approved at Executive on 20<sup>th</sup> September 2011 (Month 3 report)
- An amount of £0.200m was approved at Executive on 27<sup>th</sup> March 2012 (Month 9 report)

6.07 The continued improvement in the financial management of the HRA during 2011/12 has also helped to enable delivery of the following service developments and improvements:-

Repairs Service:

- Service modernisation
- Outsourced stores to Travis Perkins
- Improved empty property periods
- Introduction of mobile working
- Repairs appointment and texting pilots
- Continued high investment in Capital improvements - from CERA

#### **7.00 RECOMMENDATIONS**

7.01 Members are recommended to:-

- a) Note the overall report.
- b) Note the final Council Fund Contingency Sum as at 31<sup>st</sup> March 2012 (Section 5).
- c) Note the final level of balances on the Housing Revenue Account (para. 6.03)

#### **8.00 FINANCIAL IMPLICATIONS**

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

#### **9.00 ANTI-POVERTY/ENVIRONMENTAL IMPACT**

None

**10.00 PERSONNEL IMPLICATIONS**

None

**11.00 CONSULTATION UNDERTAKEN**

None

**12.00 APPENDICES**

Council Fund – Movement in Variances from Month 11 – Appendix 1

Council Fund Variances – Appendices 2 – 6

Council Fund – Movements on unearmarked reserves – Appendix 7

Housing Revenue Account Variances – Appendix 8

Council Fund - Achievement of Efficiencies – Appendix 9

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

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