

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 21 MAY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **REVENUE BUDGET MONITORING 2012/13 (MONTH 11)**

1.00 PURPOSE OF REPORT

1.01 To provide members with the most up to date revenue budget monitoring information (Month 11) 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 11 which is :

- Council Fund - Net underspend of £1.737m (£1.305m underspend at Month 10)
- Housing Revenue Account - Net underspend of £0.574m (£0.491m underspend at Month 10)

3.00 CONSIDERATIONS

3.01 The table below shows a projected in-year underspend of £1.737m :-

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend		Non Ring-fenced		Ring-fenced	
			Month 10	Month 11	Month 10	Month 11	Month 10	Month 11
	£m	£m	£m	£m	£m	£m	£m	£m
Directorates								
Community Services	58.437	58.476	(1.813)	(2.563)	(0.947)	(1.682)	(0.866)	(0.881)
Environment	31.794	32.487	(0.059)	0.521	(0.059)	0.521	-	-
Lifelong Learning	109.219	109.935	0.724	0.662	1.240	1.171	(0.516)	(0.509)
Corporate Services	17.469	17.649	0.180	(0.021)	0.180	(0.021)	-	-
Total Directorates	216.919	218.547	(0.968)	(1.401)	0.414	(0.011)	(1.382)	(1.390)
Central and Corporate Finance	25.759	24.131	(0.337)	(0.336)	(0.337)	(0.336)	-	-
Total	242.678	242.678	(1.305)	(1.737)	0.077	(0.347)	(1.382)	(1.390)

- 3.02 Members were informed in the Month 10 budget monitoring report presented to Cabinet on 23rd April 2013 that the projected outturn at Month 10 did not take into account any additional costs associated with the extreme weather conditions at the end of March 2013. The projection for Month 11 does now take account of such costs.
- 3.03 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.
- 3.04 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 10 are detailed in Appendix 1.
- 3.05 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.
- 3.06 The overall costs of the severe weather are estimated to be in the region of £1 million. This estimate includes costs which were incurred during the operational period of the incident (2012/13) and other costs that relate to the recovery period, the majority of which will be charged to the accounts in 2013/14.
- 3.07 The estimated costs of the severe weather which are reflected in the projected outturn for 2012/13 within the Table at paragraph 3.01 are £0.598m. Most of these costs (£0.523m) are within the projected total overspend for the Environment Directorate and relate to dealing with operational phase of the incident.

- 3.08 Further significant estimated costs relating to the recovery phase are not reflected in the projection as they are expected to be incurred during 2013/14. The latest estimate of such costs is £0.467m.
- 3.09 As reported to Cabinet on 23rd April, the Council has been in contact with Welsh Government (WG) with a view to seeking financial assistance under their Emergency Financial Assistance Scheme (EFAS). The Council provided formal written notification to WG of the emergency incident on Friday 19th April - this being within one month of the start of the incident as required by the EFAS guidance notes for Local Authorities.
- 3.10 The WG will consider representations made by all authorities providing such formal notification in determining whether to activate special assistance under the EFAS. It is understood that both Denbighshire County Council and Wrexham County Borough Council have also formally advised WG of the impacts of the severe weather event on their authorities. We still await determination from WG as to whether or not they will activate support under the EFAS.
- 3.11 If WG decide to activate financial support under their EFAS, it should be noted that a threshold will apply which is equivalent to 0.2 % of the Council's annual budget requirement. This is because Authorities are expected to make reasonable provision in their budgets to deal with contingencies. Where the EFAS is activated all expenditure up to the value of this threshold will need to be funded by the Council. Expenditure above the threshold will be funded at 85 % of the value of qualifying expenditure above the threshold. The amount of this threshold for Flintshire in 2012/13 is £0.487m.
- 3.12 WG may also consider providing financial assistance in addition to that provided under EFAS arrangements to help meet recovery costs incurred in the event of a large scale emergency. Any such assistance would be discretionary and may be activated by WG to help meet recovery costs related to an emergency which has a major impact on communities, schools, roads, housing, environment etc. in urban and rural areas.
- 3.13 A further potential opportunity to mitigate the impact on the projected outturn position in 2012/13 would be to use some or all of the Winter Maintenance reserve held by the Council to deal with impacts of severe winter weather. There is currently a balance of £0.245m within this reserve which could be used in full or part to offset some of the costs of the severe weather event. The current projection does not assume any use of this reserve.

RISKS / ASSUMPTIONS

- 3.14 The monthly budget monitoring reports submitted to Cabinet throughout the 2012/13 financial year have reflected details of risks and assumptions in respect of the projected outturn reported. As we are now well into the year end closedown period, we can be reasonably be confident that the risks of significant changes to the figures reported are now minimal.

3.15 REQUEST FOR CARRY FORWARD - ENVIRONMENT

Highways Network and Transportation - An additional Regional Transport Services Grant (RTSG) allocation of £0.050m was provided in March 2013 by Welsh Government to be offset against expenditure on bus services. The conditions attached to this additional funding require that it be used against bus services expenditure in 2012/13, thus creating an underspend of £0.050m in the Transportation Services budget. This has been recognised by TAITH, who will subsequently reduce the RTSG payable to the Council in 2013/14 by £0.050m. In order to meet this funding shortfall in 2013/14 it is requested to carry forward the underspend of £0.050m from 2012/13 into 2013/14. This approach is necessary to ensure that the Council is able to maximise the use of RTSG from WG.

3.16 REQUEST FOR CARRY FORWARD - LIFELONG LEARNING

Development and Resources - An underspend of £0.026m is anticipated on the Management & Administration account due to expenditure on the School Organisation review not progressing as quickly as expected. Expenditure is anticipated to increase significantly as the 21st Century Schools Capital Project gathers pace during 2013/14. It is therefore requested that £0.026m be carried forward for use during 2013/14.

3.17 REQUEST FOR CARRY FORWARD - LIFELONG LEARNING

Pupil / Student Transport - A total underspend of £0.381m is anticipated on student transport due a number of factors including procurement / contract savings and local bus service reallocation. A further element of the total projected underspend is due to there being 6 less school days during 2012/13 than had been budgeted for. There will be 12 more school days during 2013/14 which is 6 more than the average used to calculate the budget. The daily cost of student transport is approximately £0.030m, therefore it is requested that the sum of £0.180m be carried forward for use during 2013/14. Although the projected outturn for Lifelong Learning overall is an overspend of £0.662m, which would reduce to £0.482m if this c/f request wasn't approved, there will be a significant budget pressure in 2013/14 if this request to carry forward £0.180m of the Pupil / Student transport underspend in 2012/13 to 2013/14 isn't approved.

3.18 REQUEST FOR CARRY FORWARD - CORPORATE SERVICES

Finance - An underspend of £0.009m is anticipated in respect of additional audit days. This reflects the timing of the investigation work required. It is requested that the sum of £0.009m be carried forward to 2013/14 to achieve the 2012/13 audit plan in respect of audit days which have been completed in April 2013.

3.19 REQUEST FOR CARRY FORWARD - CORPORATE SERVICES

Legal Services - A total projected underspend of £0.229m is anticipated within

Democratic Services due to a reduction in operational expenditure. It is requested that the sum of £0.080m from within this total underspend be carried forward to 2013/14 to fund the costs of setting up improved and increased electronic communications with Members.

3.20 REQUEST FOR CARRY FORWARD - CORPORATE SERVICES

A total net underspend of £0.123m is anticipated within the HR & OD operational budgets. This total net underspend is mainly influenced by underspends within the Occupational Health service (£0.131m) and Pay & Grading (£0.052m). It is requested that the sum of £0.085m from within the total net underspend of £0.123m be carried forward to 2013/14 to fund the transitional arrangements during implementation of the new HR & OD staffing structure. This is due to the need to retain a higher number of Employment Services assistants beyond the intended effective date of 1st June 2013 for implementation of the new HR & OD staffing structure. The reduced number of posts was based on re-engineered end to end business processes which were reliant on implementation of key modules on the iTrent system including Web recruitment and expenses payments in particular. The additional funding which would arise from approval of this carry forward request will enable a phased reduction in the number of posts within the new Employment Services team and help to manage the transition to the new structure more effectively.

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 being held centrally and at this stage is expected to be allocated in full.
- £0.300m in respect of Energy - most of this budget has previously been allocated to services and the remaining £0.060m is currently being reviewed and will be reported in future monitoring reports.
- £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 £1.301m.

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, 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 £0.574m and a projected closing balance at Month 11 of £1.429m, which at 5.2 % 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 5.03)
- c) Note the projected final level of balances on the Housing Revenue Account (paragraph 6.03)
- d) Approve the requests for carry forward of underspends to 2013/14 as detailed within paragraphs 3.15 to 3.20

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 10 - 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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