

## FLINTSHIRE COUNTY COUNCIL

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

**DATE:** **TUESDAY, 16 JULY 2013**

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

**SUBJECT:** **REVENUE BUDGET MONITORING 2012/13**  
**(OUTTURN)**

### **1.00 PURPOSE OF REPORT**

1.01 To inform Members of the Council Fund and the Housing Revenue Account Outturn for 2012/13 (subject to audit) and the impact on the respective level of reserves at 31<sup>st</sup> March 2013. These figures are included in the draft Statement of Accounts 2012/13 which will be reported to Audit Committee on 17<sup>th</sup> July 2013.

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### **2.00 EXECUTIVE SUMMARY**

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

- Council Fund – Net Underspend of £4.229m (£4.313m at Month 12)
- Housing Revenue Account – Net Underspend of £1.076m (£1.047m at Month 12)

### 3.00 CONSIDERATIONS

3.01 The table below shows a final outturn in-year underspend of £4.229m

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend		Non Ring-fenced		Ring-fenced	
			Month 12	Outturn	Month 12	Outturn	Month 12	Outturn
	£m	£m	£m	£m	£m	£m	£m	£m
Directorates								
Community Services	58.437	58.614	(3.432)	(3.489)	(2.446)	(2.481)	(0.986)	(1.008)
Environment	31.794	31.811	(0.053)	(0.040)	(0.053)	(0.040)	-	-
Lifelong Learning	109.219	110.993	0.006	0.033	0.935	0.935	(0.929)	(0.902)
Corporate Services	17.469	18.079	(0.271)	(0.287)	(0.271)	(0.287)	-	-
Total Directorates	216.919	219.497	(3.750)	(3.783)	(1.835)	(1.873)	(1.915)	(1.910)
Central and Corporate Finance	25.759	23.181	(0.563)	(0.446)	(0.563)	(0.446)	-	-
Total	242.678	242.678	(4.313)	(4.229)	(2.398)	(2.319)	(1.915)	(1.910)

3.02 The original budget column reflects the budget approved by Council on 1<sup>st</sup> 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 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 12 are detailed in Appendix 1.

3.04 The Month 12 position as reported to Cabinet on 18<sup>th</sup> June 2013 showed a significant projected movement of £1.979m to that previously reported at Month 11. It was reported that although in some areas this positive improvement reflected the outcome of planned activities and positive budget management, it also raised the issue of interaction between service managers and finance to ensure that variances are identified at an earlier stage. As discussed at Cabinet and Corporate Resources Overview and Scrutiny in June this significant movement at the year end has highlighted the need for tighter financial controls, forecasting and timelier reporting.

3.05 A detailed exercise by each Head of Service as the accountable budget manager has been undertaken which has reviewed the reasons for variances reported from month 8 onwards which was the latest in-year information available when the 2013/14 budget was set. The outcome of this exercise shows that the reasons for the variances are a mixture of areas where a planned action has been implemented, some of which could have been reported earlier, other areas that could have been foreseen earlier and some minor fortuitous variances.

- 3.06 The review has identified that the reasons for the variances can be classified into the following main themes:-
- 1) Grant Maximisation – utilising external funding wherever possible.
  - 2) Year End Recharge Issues and Accounting Treatment.
  - 3) Communication of the financial impacts of Service Commissioning and demand levels.
  - 4) Treatment of Vacancy Savings.
  - 5) Difficulties and uncertainties in accurately projecting income.
- 3.07 Corporate Management Team has identified and agreed a range of actions to strengthen budget management and reporting in the light of the issues identified.
- 3.08 As previously reported, some of the main reasons for the movement between Month 8 to 12 include:
- Further reduction in costs for Out of County Placements linked to additional family placements
  - Further reduction in income in leisure facilities
  - Further improvement in Central Loans and Investment Account
  - Reduced expenditure on residential and domiciliary care
  - Additional client income in respect of Intake and Reablement
  - Additional grant received to support the implementation of the council tax support scheme
- 3.09 It is important to note that at the time that the 2013/14 budget was set, the significant areas of reported under and overspend at that time were taken account of in the budget agreed by Council.
- 3.10 As a result of the overall outturn position an assessment has been made of the potential future impact for the current 2013/14 financial year and also the impact on the Council's Medium Term Financial Plan for 2014/15 and beyond and this work will be reported to Members in due course.
- 3.11 As we move into detailed monitoring for the 2013/14 financial year, Service Managers and Finance will be working together to implement these actions to ensure that variances are reported at the earliest opportunity in the financial year.
- 3.12 Finance Procedure Rules state that any Directorate overspend will be carried forward into the following year as a first call on the budget for that year. In view of the overall financial position it is recommended on this occasion that the Lifelong Learning overspend of £0.033m is met from overall balances and not carried forward.

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

The early projections as at Month 3 for the Council Fund was an overspend of £1.053m which was mainly due to pressures within Lifelong Learning including Leisure Services, Schools related, Service Units and Facilities.

3.14 At this stage, Cabinet also allocated an amount of £0.361m from contingency reserve as a one-off investment for the purpose of supporting the new leisure facilities in their first year of operation.

3.15 In view of the projected overspend, Management committed to find opportunities to generate efficiencies with the intention of gaining a positive outturn on the 2012/13 projected outturn.

3.16 At Month 8 a significant improvement of £0.754m was reported in the projected under spend on Out of County Placements. This movement reflected the overall impact of a number of factors which included smarter procurement from the continued involvement of Commercial and Clinical Solutions, and a reduced numbers of placements which had been influenced by the development of in-county provision from foster care and within special schools.

3.17 At Month 8 members were also notified of a potential pressure due to the triggering of the Municipal Mutual Insurance (MMI) scheme of arrangement and a provision of £0.770m was set aside for this purpose from the Contingency Reserve.

3.18 In March 2013 the County encountered a spell of severe weather which resulted in costs being incurred during the operational phase of the incident totalling £0.629m and estimated costs for the recovery phase of £0.621m. The majority of these costs were incurred within the Environment Directorate and the Council utilised the Winter Maintenance Reserve to offset £0.245m of these costs with the remainder of the total cost being met from the Contingency reserve.

3.19 The latter part of the year resulted in a significant positive movement in the variance due to a mixture of planned activities and unforeseen issues as detailed earlier in this report.

### 3.20 **ACHIEVEMENT OF EFFICIENCIES**

The 2012/13 budget contained £4.721m of specific efficiencies. Members have previously requested an update on the achievement of these efficiencies to be reported within the outturn report and the table below provides this information by directorate:-

Directorate	Value of Budgeted Efficiency £m	Value of Actual Efficiency £m	(Under) Over Achievement £m
Community Services	0.807	1.932	1.125
Environment	1.509	1.509	Nil
Lifelong Learning	0.604	1.506	0.902
Corporate Services	1.801	1.979	0.178
<b>Total</b>	<b>4.721</b>	<b>6.926</b>	<b>2.205</b>

3.21 The main reason for the over achievement is in relation to increased efficiencies in relation to Out of County Placements within Community Services (£0.844m) and Lifelong Learning (£0.902m). The 2013/14 budget has been reduced to reflect the reduced costs at the time the budget was set within this area, although this service area continues to be volatile and will be closely monitored.

3.22 Appendix 9 provides further analysis for all efficiencies by Directorate. It is important to note that the impact of this analysis has already been included in the final outturn figures.

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

4.01 The 2012/13 budget included amounts for non-standard inflation for elements 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 elements is detailed below:-

- £0.196m in respect of Fuel which has been fully allocated.
- £0.133m in respect of food which has been fully allocated.
- £0.078m in respect of Energy for Street Lighting of which £0.055m was not allocated and forms part of the underspend within central and corporate.
- £0.300m in respect of Energy of which £0.017m was not allocated and forms part of the underspend within central and corporate.

#### **5.00 UNEARMARKED RESERVES**

5.01 The 2011/12 final outturn reported to Cabinet on 10<sup>th</sup> July showed unearmarked reserves at 31<sup>st</sup> March 2012 (above the base level of £5.476m) of £0.992m, after taking into accounts 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 these movements the final level of Contingency Reserve is £3.409m.
- 5.03 In Month 11 it was reported that the £0.245m held in the Winter Maintenance Reserve had been utilised to fund the severe weather costs in 2012/13. It is recommended that £0.250m is allocated from the contingency reserve in 2013/14 to provide funding in this specific reserve for future years to replace the funding utilised.
- 5.04 The MTFP considered by Cabinet on 18<sup>th</sup> June identified an estimated funding shortfall of £8.5m for 2014/15 rising to £28.5m by 2018/19, but that with the inclusion of a number of variables and broad assumptions this could rise to over £10m in 2014/15 and £40m over the 5 year period. As stated in that report work is continuing over the summer period on the MTFP and to develop the budget strategy for 2014/15 and an updated MTFP will be reported in October.
- 5.05 It is recommended that the £3.159m held in the contingency reserve is held at this stage and its use considered within the context of the MTFP and 2014/15 budget strategy as a key strategic decision.

## **6.00 HOUSING REVENUE ACCOUNT**

- 6.01 On 21<sup>st</sup> 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 satisfied the prudent approach of ensuring a minimum level of 3%.
- 6.02 The 2011/12 final outturn reported to Cabinet on 10<sup>th</sup> 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 The Final Outturn for the HRA is an underspend of £1.076m (£1.047m at month 12) which results in a final closing balance (subject to audit) at 31st March 2013 of £1.931m which at 6.98% of the total expenditure exceeds the recommended minimum level of 3%.

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

The 2012/13 HRA budget provided a total revenue contribution of £4.692m towards the funding of capital expenditure (CERA). During the year, the following increases were approved to meet increased revenue expenditure:-

- On vacant properties: £0.250m was recommended for reallocation in the Month 4 Monitoring Report. This was approved by Cabinet.
- £0.250m was allocated in the Month 6 Monitoring report through delegated powers. This was to fund DFG's, Bathrooms and planned other works.

- A further £0.250m was allocated in the Month 9 Monitoring Report though delegated powers. This was for external refurbishment works and a programme of ventilation fans.

6.05 As detailed in this report, the final position is a surplus of £1.931m. The Council is required to keep £1.070m balance to meet the 3% reserve recommended on the HRA. The remaining balance of £0.861m is proposed to be utilised in the following way; £0.250m put aside for single status, £0.130m for additional void revenue works, £0.200m carried forward for maisonettes (full budget not needed in 12/13) and redundancy costs (restructures planned in 12/13 delayed to 13/14). The remaining balance will be invested in meeting Welsh Housing Quality Standard (WHQS).

6.06 The continued improvement in the financial management of the HRA during 2012/13 has helped to enable delivery of the following service developments and improvements:

- Improved performance on non urgent repairs.
- Improved empty property periods.
- Increased investment in capital improvements from CERA towards achieving an earlier deadline to meet WHQS.
- Additional staff resource in priority areas to meet tenant promises detailed in the Choices document.

## **7.00 RECOMMENDATIONS**

7.01 Members are recommended to :-

- a) Note the overall report
- b) Note the Council Fund contingency sum as at 31<sup>st</sup> March 2013 (paragraph 5.02)
- c) Note the final level of balances on the Housing Revenue Account (paragraph 6.03)
- d) Approve that the overspend in Lifelong Learning be met from overall balances and not carried forward as required by finance procedure rules.

## **8.00 FINANCIAL IMPLICATIONS**

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

## **9.00 ANTIPOVERTY 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 12 – Appendix 1  
Council Fund Variances – Appendices 2 – 6  
Council Fund Movement on unearmarked reserves – Appendix 7  
Housing Revenue Account Variances – Appendix 8  
Achievement of Efficiencies – Appendix 9

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

**Contact Officer: Sara Dulson**  
**Telephone: (01352) 702287**  
**Email: sara.dulson@flintshire.gov.uk**